صورة من الاصل

Austria	Sch22	Indonesia	Rp2100	Oman	OR1		
Bahrain	Din0.750	Iran	Rls210	Philippines	Peso40		
Belgium	BFr65	Israel	IS4.50	Portugal	Esc140		
Cyprus	C£0.90	Italy	L1700	Qatar	QR8.00		
Denmark	DKr10.00	Jordan	Fils500	S.Arabia	SR7.00		
Egypt	£E2.25	Kuwait	Fils500	Singapore	S$4.10		
Finland	FmK7.00	Lebanon	[illegible]	Spain	Pta140		
France	FFr7.00	Lux	LFr55	Sweden	SKr10		
Germany	DM2.50	Malaysia	Rin4.25	Switz	SFr2.60		
Greece	Dr120	Morocco	Dh8.00	Thailand	Bht50		
Hong Kong	HK$12	Neth	Fl3.00	Tunisia	Din0.800		
Iceland	IKr125	Nigeria	Naira10	Turkey	L800		
India	Rup15	Norway	NKr10.00	UAE	Dh7.00		

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

No.30,888 — Friday July 7 1989 — D 8523A

BRITAIN
A summer of frustration
Page 21

World News

Bonn to pay East Germany to combat pollution

The West German Government is to spend DM300m ($159m) over the next three years supporting East German efforts to reduce pollution, under an agreement signed by the two countries in Bonn.

The accord, hailed as a "breakthrough" by Mr Klaus Toepfer, the Bonn Environment Minister, represents the most important example so far of East – West environmental co-operation. Page 22

Warsaw-IMF deal

The Polish Government has agreed the outlines of a deflationary plan for the economy with the International Mooetary Fund leading to discussions on rescheduling of the $39bn foreign debt. Page 2

Flights East urged

The West German Government is pressing the US, Britain and France to allow Lufthansa, the national carrier, to launch commercial flights between East and West Germany on a trial basis. Page 2

Business backs LDP

Japanese hig business is rallying around the beleagured ruling Liberal Democratic Party in advance of elections to the Diet's upper house. Page 4

Mugabe wins vote

President Robert Mugabe's ruling Zanu-PF won the Dzivaresekewa by-election in Greater Harare with a comfortable majority in a very low voter turnout. Page 4

Kadar dies, aged 77

Former Hungarian Communist Party leader Janos Kadar, reviled during the early days of his 32 years in power but later praised, died aged 77. *Obituary; Page 2*

Rome pacts collapse

Christian Democratic Prime Minister - designate Ciriaco De Mita announced the collapse of his three-week attempt to form a new Italian Government. Page 2

New media curbs

The Sri Lanka Government extended censorship laws to foreign media and security forces have been issued shoot-on-sight orders in a crackdown oo Sinhalese radicals.

Pacific links plan

Foreign ministers of the Association of South East Asian Nations responded coolly to proposals from Australia, the US and Japan for economic co-operation in the Pacific. Page 4

Gorkiy repair bill

Repairs to the Soviet liner Maksim Gorkiy, which hit an Arctic ice pack, will cost $14m.

China rejects charge

China flatly rejected a US protest over an alleged incident in which troops fired e hail of shots into the Peking homes of foreign diplomats.

Jefferies fined

Boyd Jefferies, the former stockbroker who helped bring about some of the largest US corporate takeovers, was fined $250,000 for helping Ivan F. Boesky file false records.

Watergate for sale

The Watergate complex, which gave its name to the scandal that ended Richard Nixon's presidency, is to be sold by the UK Coal Board's pension fund for $71m.

Business Summary

ICI unveils plan for £150m plant in Taiwan

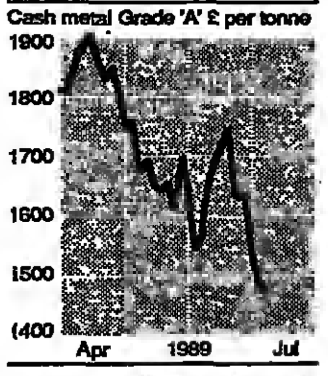
IMPERIAL Chemical Industries, Britain's biggest manufacturer and the world's fourth largest chemicals group, plans to spend £150m ($235m) on a new chemicals plant in Taiwan in a move which is the company's single biggest investment for a decade.

The plant is to make purified terephthalic acid (TPA), used increasingly in making polyester fibre. Page 23

COPPER prices continued to decline on the LME yesterday. Three-month metal, which closed at £1,461.50 a tonne,

Copper

Cash metal Grade 'A' £ per tonne



dipped to £1,450 a tonne during the afternoon. Commodities, Page 38

OIL prices fell sharply on expections that striking North Sea oil platform workers would return to work at midnight last night.

HONG KONG: Business survey of local manufacturers found little confidence among its members in the territory's future after 1997. Page 4

SIEMENS, West German electrical and electronics group currently involved in a disputed takeover bid for UK electronics group Plessey, announced details of its long-awaited management reorganisation. Page 23

PLANNED merger of the Canadian-based brewing operations of Molson Companies and Elders IXL, the parent of Carling O'Keefe of Canada, has been approved by the Federal Competition Bureau. Page 26

BUSINESS empire of Alan Bond, besieged Australian entrepreneur, was looking even shakier after shares in his companies succumbed to further selling on Australian stock markets. Page 26

CANADIAN Government expects to sell its 55 per cent holding in Air Canada, the national airline, for nearly C$500m ($418m). Page 26

SAAB-Scania's troubled car division achieved 2% growth in world sales for the first six months of 1989. Page 24

NEDLLOYD, Dutch shipping and transport group, plans to acquire Union-Transport, West Germany road haulage company. Page 24

SKANDIA, Sweden's leading insurance group, and Svenska Handelsbanken, the country'a second largest bank, are to establish a London-based finance company specialising in European management buy-outs. Page 24

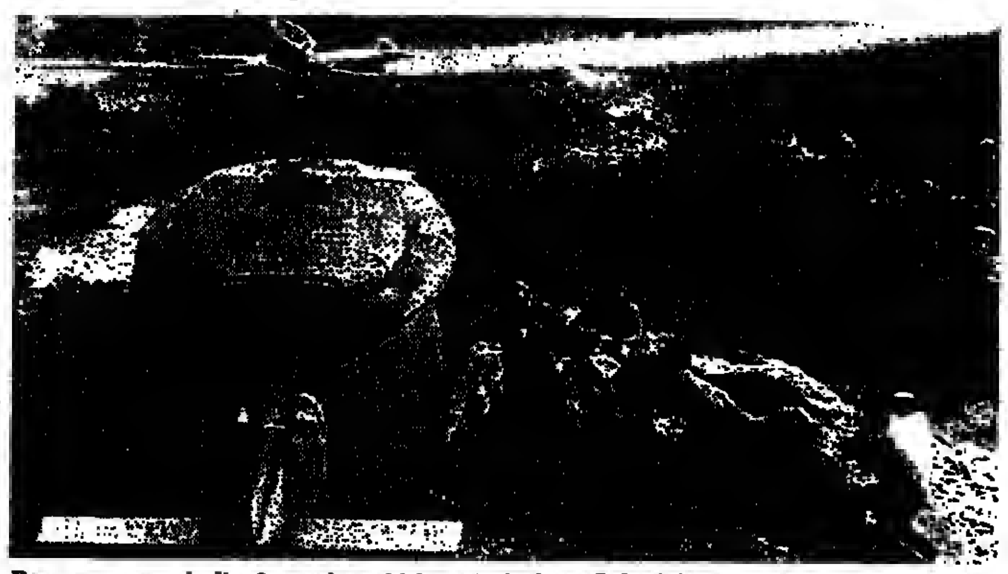
ROBERT Bosch, West German vehicle equipment and electricals group, boosted group turnover 11.5 per cent to DM14.8bn ($7.7bn) in the first six months of 1989 compared with the first half last year. Page 24

INDUSTRIALISED countries have pledged to give $3.5bn over the next year in economic aid for the Philippines in the Multilateral Assistance Initiative. Page 4

TURNOVER in the new Danish futures and options market has been so low in the first half-year that broking firms have been asked to pay extra bills to cover the cost of the system. Page 28

Israeli crisis talks shelved after extremist crashes bus

By Hugh Carnegy in Jerusalem, Jihan el-Tahri in Tunis and Lionel Barber in Washington



Rescuers remove bodies from a bus which crashed when a Palestinian passenger seized the wheel

A LOOMING political crisis in Israel was eclipsed yesterday when 14 Israelis were killed and 27 injured in a bus crash deliberately caused by a Palestinian extremist.

The incident, the most serious of its kind for 10 years, happened when an Arab shouting "Allahu Akbar" (God is Great) grabbed the wheel of a bus travelling from Tel Aviv to Jerusalem, plunging it down a ravine where it overturned and was engulfed in flames.

Labour Party ministers and top officials in the country's coalition Government immediately postponed a meeting called to discuss whether they should pull out of the coalition following the hardline conditions attached to peace proposals for Israel's occupied territories by the Likud party of Mr Yitzhak Shamir, the Prime Minister.

The proposals were adopted by Mr Shamir on Wednesday to assuage right-wing rebels in his Likud party, the senior coalition member.

Mr Yitzhak Rabin, the Labour Defence Minister, said Likud had "perhaps torpedoed (the peace plan) altogether."

But for the moment at least, Mr Shamir can expect to rally public feeling around the shock over yesterday's bus disaster which happened around noon. The Palestinian responsible for the bus crash survived and was under guard in a Jerusalem hospital.

Mr Shamir linked the incident to the 19-month-old Palestinian uprising in the West Bank and Gaza Strip.

The shock it evoked quickly defused the row facing Mr Shamir over concessions he made at a special Likud conference.

Continued on Page 22

Shamir's hands tied; Bush under pressure, Page 4

Smart start for the YSL set as shares cut a dash

By George Graham in Paris

STOCK markets go up when skirts get shorter, as the adage claims. But this year, fashion designer Yves Saint Laurent may have to push his hemlines up to the hip if he is to catch up with his own share price.

The company's introduction to the Paris second market had to be postponed yesterday, swamped by the oversubscription. Bids were placed for 103m shares, compared with only 400,000 shares on offer at a price of FFr853 ($133) each.

"We thought that it might be oversubscribed, but we were not expecting these proportions. It is always agreeable to know that you are in demand, but we are not losing our heads," said Mr Jean-Francis Bretelle, group finance director.

Yves Saint Laurent will start afresh and relaunch the offer on Monday at the same price. But this time bidders will be required to deposit money in advance in an attempt to deter speculators in search of quick profits.

The designer's new winter collection will be shown two weeks later, but the height of the hemline is still a jealously guarded secret.

The share issue capitalises Yves Saint Laurent at 18.8 times its forecast 1989 earnings of FFr175m and some brokers had thought the price a little steep for such a heavily borrowed company. Francois Dufour Kervern, brokers to the issue, were more optimistic and estimated the shares to be worth FFr937 apiece.

The shares on offer will put 10.9 per cent of the company in the hands of the public, alongside the 37.3 per cent already placed privately with institutional investors.

The fashion group's competitors, for the most part, regarded the price as very reasonable.

Saint Laurent has changed radically from the small company founded in 1961 by Mr Saint Laurent and Mr Pierre Berge, the group's chairman.

Three years ago, it changed dimension – and pumped up group debt – when it paid $630m to buy back the Yves Saint Laurent perfume business owned by Charles of the Ritz.

For 1988, perfume accounted for 86 per cent of group sales of FFr2.63bn and 73 per cent of operating profits of FFr439m; the couture business accounted for the balance.

More merger moves in prospect for accountancy world

By David Waller in London

THE WORLD of international accountancy is braced for its second major merger proposal in 48 hours. Touche Ross and Deloitte, Haskins & Sells are today expected to announce that they are in merger talks, the day after a similar declaration from Price Waterhouse and Arthur Andersen.

PW and Andersen yesterday announced that they were taking their first steps towards a link-up which would – if endorsed by the 4,640 partners at the two firms – create the world's largest professional services firm.

Observers suggested that Andersen and PW made a good fit in commercial terms but predicted difficulties as talks progressed, particularly in reconciling Andersen's aggressive, "American" approach to PW's more discreet, "British" style.

Nobody at Touche or Deloitte was prepared to comment on the rumours swirling about the profession, and the joint statement from PW and Andersen was less than fulsome. But if the two mergers did take place, it would leave the accountancy industry dominated by four firms rather than the traditional "Big Eight."

The latest moves come only a fortnight after a link-up between Arthur Young and Ernst & Whinney briefly created the world's largest firm, with combined fee income of $4.24bn. PW and Andersen would have joint income of over $5bn.

The Touche Ross/Deloitte firm would have income of $3.7bn while KMG Peat Marwick had revenues of $3.9bn.

Coopers & Lybrand, traditionally one of the dominant players, would be relegated to a distant fifth place with income of $2.5bn last year.

The PW/Andersen statement said simply that the two firms had "initiated formal discussions to consider the benefit to clients and the feasibility of combining their worldwide practices."

According to the two firm's most senior partners, the talks were taking place to benefit from the "continuing rapid globalisation of world economies, the accelerating pace of technological change, and the broad-based need for new services and investment."

No partners were available to answer questions yesterday, so it is not known to what extent the merger proposals have been circulated around the two firms. Confidentiality agreements have been signed and neither firm intends to make any public comment during the next 60 days.

The latest wave of mergers reflect an increasing tendency on the part of auditing firms to grow to meet the needs of international clients; there is a belief in the industry that a firm must be able to serve a multinational client with a standardised range of services in whatever country it operates.

In addition to the standard audit, these services include management and tax consultancy. Andersen is particularly strong on consulting: it is the world's largest consultant and its revenues in this area grew by 33 per cent to $1.1bn last year.

Another reason for the mergers is the need to raise capital for expansion of businesses other than audit. Auditing firms are still bound by rules which forbid them from having external shareholders, so capital tends to come from an expansion of the partnership.

As independent firms, Touche and Deloitte were the two smallest of the "Big Eight." Deloitte, auditor to the Bank of England, attempted a merger with PW in 1984 but this was voted down by PW's UK partners.

Editorial comment, Page 20; Lex, Page 22; One and one makes one, Page 23

Gorbachev seeks talks on Europe of 21st Century

By Ian Davidson and David Buchan in Strasbourg

PRESIDENT Mikhail Gorbachev yesterday called for new East-West negotiations, modelled on the Helsinki conference of the mid-1970s, to map out steps towards a pan-European community of the next century.

The Soviet leader made his appeal in a long-awaited speech to the 23-nation Council of Europe at the end of his three-day visit to France.

He said there was increasing urgency to convene such a Helsinki-type meeting within the next 18 to 24 months. "It is time for the present generation of the leaders of the European countries, and of the US and Canada, to discuss how they contemplate future stages of progress toward a European community of the 21st century", he said.

President Gorbachev's speech was clearly intended to set the agenda for such a negotiation, since it covered the gamut of issues negotiated at Helsinki – security and arms control, economic co-operation, and human rights.

He stepped up the diplomatic pressure for early negotiations on tactical nuclear weapons.

"If it becomes clear that Nato countries are ready to join us in negotiations on tactical nuclear weapons, we could, naturally after consulting, carry out without further delay further unilateral reductions in our tactical nuclear missiles in Europe".

However, Nato last night implicitly rejected the Soviet leader's call for negotiations. Nato said the alliance had not changed its position set at its last summit in May when it decided to negotiate only a partial reduction in SNF weapons, once agreed cuts in conventional arms had been started.

The tone of Mr Gorbachev's nuclear arms control proposal was conciliatory, but the content was clearly designed to draw Britain and France into a negotiating process which they have so far resisted. He reiterated the long-term Soviet aim of eliminating all line-tactical nuclear weapons, but admitted that this would be a stage-by-stage process. He invited Western countries to join Moscow in the search for a solution.

He welcomed the Council of Europe's decision to grant the Soviet Union "special guest status". Henceforth, 18 members of the Supreme Soviet will be able to attend and speak, but not to vote, at the Council's parliamentary sessions.

Mr Gorbachev offered to accede to some of the international conventions of the Council, including those on the environment, culture, education, and television broadcasting.

Continued on Page 22

Brady and Mulford underline US desire for a stable dollar

By Peter Riddell, US Editor, in Washington

THE US welcomed the sharp fall in the dollar in foreign exchange markets in the past 10 days but would like to avoid any large movement from around current broad levels, senior US Government officials indicated yesterday.

The US desire for continued international co-operation to maintain the stability of the dollar was underlined in identical and co-ordinatad statements by Mr Nicholas Brady, US Treasury Secretary, and Mr David Mulford, under-secretary for international affairs. This was significant; oot least becaose Mr Brady rarely speaks about the dollar.

The US wants to avoid a repetition of the sharp rise in the dollar seen in late May and June because of the potential adverse impact on the international adjustment process and any further reduction in the US current account deficit.

Mr Brady and Mr Mulford noted that the dollar was "at approximately the same level prevailing at the time of the Group of Seven (industrial nations) ministerial meeting in April, and our joint statement at that tima still applies; namely a rise of the dollar which undermined adjustment efforts, or an excessive decline, would ba counterproductive. Wa will continue as necessary to co-operata closely on exchange markets with our G7 counterparts."

Mr Mulford said the dollar was "more or less back at the levels" seen three months ago and the reaffirmation of the G7 statement favouring stability did not relate to a particular figure then or now. The dollar is still higher against the yen but lower against the D-Mark than in early April.

In London yesterday, the dollar traded quietly ahead of the release today of the US employment figures. It closed at $1.62 against sterling.

The sharp rise in the dollar had raised questions about the effectiveness of tha international co-ordination process and the recent decline will reduce the temperature on that issue at the annual seven-nation economic summit in Paris starting in a week.

Nevertheless, the US is determined to press for further adjustment of external imbalances which should be treated at the summit as a co-equal priority with inflation. Mr Mulford said recent data in the US suggested that inflation was "well-contained. It is not a matter of undue concern." Mr Brady said he thought the US economy was heading towards "a soft landing."

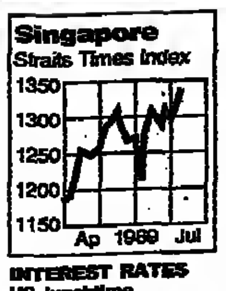
Speaking at a briefing ahead of the Paris summit, Mr Brady indicated that President George Bush might announce the use of recent American legislation to forgive certain official debts owed to the US by sub-Saharan African countries with World Bank and Internatiooal Monetary Fund approved programmes.

Continued on Page 22

UN leader criticises "inadequate" Brady plan, Page 3

MARKETS

Singapore
Straits Times Index



INTEREST RATES
US lunchtime
Federal Funds $8\frac{7}{16}$% ($9\frac{3}{8}$)
3-mth Treasury Bills: yield: 8.025% (8.015)
Long Bond: $108\frac{31}{32}$ ($108\frac{5}{16}$)
yield: 8.094% (8.122)
London
3-month Interbank: close $13\frac{31}{32}$% ($13\frac{15}{16}$)

STERLING
New York lunchtime
$1.62575 (1.6287)
London:
$1.6220 (1.6195)
DM3.0875 (3.0625)
FFr10.3925 (10.3850)
SFr2.6300 (2.6225)
Y226.00 (225.00)

DOLLAR
New York lunchtime
DM1.8875 (1.8832)
FFr6.3400 (6.3855)
SFr1.6205 (1.613)
Y139.45 (138.5)
London:
DM1.8910 (1.8905)
FFr6.4075 (6.4125)
SFr1.6220 (1.6200)
Y139.35 (138.90)

GOLD
New York latest
Comex August
$388.7 (388.8)

STOCK INDICES
New York lunchtime
Dow Jones Ind. Av.
2,456.75 (+0.19)
S&P Comp
320.60 (-0.04)
London:
FT-SE 100
2,161.2 (-1.7)
World:
144.21 (Tue)
Tokyo
Nikkei Ave
33,428.48 (+113.77)
Frankfurt
Commerzbank
1,830.2 (-13.9)

OIL
Brent 15-day (Argus)
$17.975 (-0.725) (July)
West Tex Crude
$20.425 (-0.55)
(August)

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Africa challenges the IMF

Professor Adebayo Adedeji, executive secretary of the UN Economic Commission for Africa, is the architect of a document which attacks the continent's "pervasive lack of democracy" and challenges a recovery plan put forward by the IMF
Page 22

EUROPEAN NEWS

Poland and IMF agree draft plan for economy

By Christopher Bobinski in Warsaw

THE POLISH Government has agreed the outlines of a sharply deflationary three-year plan for the economy with the International Monetary Fund. The plan will form the basis for discussion on an agreement to reschedule Poland's massive foreign debt, amounting to $39bn.

An accord with the IMF is seen by Western governments and banks as central to further aid to Poland. The outline agreement comes as the Polish Government, still in disarray after the elections last month, prepares to welcome President George Bush on his visit to Poland which begins on Sunday.

In the course of his two-day visit, Mr Bush will be pressed by both government and Solidarity leaders for increased Western aid.

Mr Janusz Sawicki, the Deputy Finance Minister, recently in Washington for talks with the IMF, told the Financial Times that formal talks with the IMF on the proposals would only begin once Poland's new Parliament had approved them.

Consultations between the Government and the IMF were expected to continue over the summer, he said.

The three-year plan includes:

- a cut in the budget deficit
- the tightening of monetary controls
- freeing prices
- the closure of loss making companies
- the balancing of external accounts by 1992
- the sale of shares in state industry – though with the public sector retaining overall control of large enterprises
- the establishment of a stock exchange
- the outright sale of smaller state-owned enterprises to private owners.

The country remains in the grip of a political crisis, as General Wojciech Jaruzelski continues to hesitate over whether or not to stand for the post of President. A new Government is yet to be formed, and the newly-elected Parliament will be loathe to agree to measures which would lower living standards.

Poland wants to see the release of standby credits as soon as an agreement with the IMF comes into force. This runs against the Fund's approach, which is to wait for a start to be made on implementing the programme before releasing loans.

At the same time the Fund is looking to Poland to increase interest rates to match current inflation levels, estimated to exceed 100 per cent this year. It also wants further cut in budget subsidies and tougher measures than hitherto employed to control wages growth.

Reuter adds: Mr Lech Walesa, leader of Solidarity and the East bloc's first legal democratic opposition, said yesterday he wanted an immediate meeting with President Mikhail Gorbachev.

"I would go immediately," he said in a newspaper interview one day after Mr Gorbachev said in Paris that he saw no obstacle to a meeting.

Mr Walesa did not explain why he wanted to meet Mr Gorbachev in the brief interview with the Solidarity newspaper Gazeta Wyborcza. But he has indicated for months that he wants to reassure the Soviet Union about Poland's radical democratic reforms.

"I don't want to go there to agitate or irritate but to seek understanding for the Polish reforms . . . in a way that will not be suggestive or stir things up," he said in April.

Senior Solidarity sources say Moscow has been in favour of a visit by Mr Walesa for some time but it has been delayed by leaders of the Polish Communist Party.

Bonn puts pressure on allies for early decision on trial flights

Lufthansa urges East German service

By David Marsh in Bonn

The WEST GERMAN Government is pressing the US, Britain and France to allow Lufthansa, the national carrier, to launch commercial flights between East and West Germany on a trial basis possibly as early as next month.

Bonn's eagerness for flights between Frankfurt, the main West German airport, and Leipzig in East Germany has discomfited officials among the western allies, who still carry responsibility for air traffic between the east and west German states.

As a result of legal procedures going back to the end of the Second World War, the war victors still have formal jurisdiction over the air space across Germany's borders. When the Bonn Foreign Ministry protested on Wednesday to the Soviet Union over Tuesday's incursion of the unpiloted MiG aircraft, it theoretically should have done so only after consulting with the western allies.

Some allied officials this week were annoyed that the Foreign Ministry pointedly did not consult the allies before making the Soviet protest - but simply informed them of it afterwards.

Allied officials believe a new air service between Frankfurt and Leipzig could compete with routes between West German airports and West Berlin. This could therefore indirectly endanger the viability of Berlin air routes which are conceived as having both a commercial and a strategic significance.

West German officials reject Allied qualms. They say that a planned Lufthansa service - which would initially be limited until October - between Frankfurt and Leipzig would carry supplementary traffic and would not divert passengers from Berlin.

Lufthansa and Interflug, the East German airline, already stage Leipzig-Frankfurt flights at the times of the twice-yearly fair in the East German city. The West German aim is to enlarge this service during the July to October period, above all to carry tourists to and from East Germany.

The differences with the Allies extend to the question of allowing Lufthansa to fly directly to Berlin, in accordance with the long-held goal of Mr Heinz Ruhnau, Lufthansa's chairman.

Mr Ruhnau, a Social Democratic Party member who is a fierce upholder of German national interests, repeated this objective at the company's annual meeting in Berlin this week. He said that the airline did not want to wait another 45 years for "normality" in East-West German air traffic.

E European alarm grows over events in Poland

By Leslie Colitt in Berlin and John Lloyd in London

EAST EUROPEAN governments – hardline and reformist – are reacting with alarm to the growing crisis in Warsaw over the Polish Communist party's inability to agree on a candidate for President. However, the Soviet Union is treating the matter with studied calm.

The orthodox leadership in East Berlin is nervously eyeing developments in Poland which it fears could lead to new instability. Mr Erich Honecker, the East German leader, trusted General Wojciech Jaruzelski, the head of the Polish party, after he declared martial law in December 1981 and outlawed the Solidarity union.

But East Germany was completely taken by surprise when the general last week suddenly withdrew his candidacy for the enhanced post of president because he could not be assured of a majority of votes in the party.

Just before the general's announcement, Mr Joachim Herrmann, a key member of the East Berlin politburo, told the central committee that the "heartfelt, friendly relationship" between Mr Honecker and Gen Jaruzelski was the pledge of continued close ties between the two countries in the future. Mr Herrmann said the new presidency in Poland was a guarantee that the "social orders" in the two countries would co-operate in the "spirit of a closer alliance."

Shorn of party jargon this meant the strengthened Polish presidency was seen as vital to preventing the opposition Solidarity movement from openly assuming political power.

Gen Jaruzelski's personal choice for president, General Czeslaw Kiszczak, the Interior Minister, is much less highly regarded in East Berlin, where he is remembered as the man who repeatedly negotiated with Solidarity and who is thus tainted with liberalism.

The only item from Poland in the East German party newspaper, Neues Deutschland, on Monday spoke ominously of a meeting of the Polish Defence Ministry's Military Council at which the tasks of the armed forces in the present situation were discussed. The report said the council expected that the future Polish president, as commander-in-chief, would be a "competent personality" who could guarantee the security of the state.

In Budapest, a reform-minded Hungarian party official said he was concerned that the reforms in Poland could be undermined by the current political crisis. He noted that the "power relationships" in Poland had not changed despite the party's recent moral defeat at the polls. "The well-organised Polish army and police forces are capable of making a decisive move if all else fails," he remarked.

Hungarian diplomatic sources yesterday contrasted the "depth" of the Hungarian political reforms – which have already seen a commitment by the Socialist Workers' (Communist) Party to hold free elections next year – with the reluctance of the Polish party to concede power to opposition forces. They say that this tension between a conservative party and the desire for change creates a potentially unstable situation.

Senior Soviet officials have, by contrast, appeared serene in face of a process which Mr Mikhail Gorbachev is said to have approved.

Speaking in Paris on Monday, Mr Vadim Zagladin, a central committee member and foreign policy adviser, said it was a matter for the Poles. On Tuesday, Mr Eduard Shevardnadze, the Soviet Foreign Minister, told the Guardian newspaper: "If Solidarity forms a government in Poland, the Soviet Union is ready to accept such a development."

The reaction from East Germany forms part of a discernible pattern of comment from the hardline states – Albania, Czechoslovakia, East Germany and Romania – to international events in recent weeks.

All have published similar responses to the Peking massacres (approval) and the reburial of, and homage to, the executed former Hungarian Prime Minister, Mr Imre Nagy (disapproval).

Pact aims to paper over cracks

By Leslie Colitt in Berlin

THE TWO-DAY annual meeting of the Warsaw Pact's Political Consultative Committee, which opens in Bucharest today, brings together the leaders of the seven-nation Communist alliance, which is displaying signs of growing internal dissension.

The talks in Bucharest, however, are expected to try to mask differences over political and economic reforms and concentrate on unifying issues such as disarmament.

"Multilateral questions and not bilateral issues will be discussed at the meeting," Dr Istvan Degen, said yesterday. Dr Degen is a member of the Hungarian delegation to the summit led by Mr Rezső Nyers, the new head of the Hungarian party's collective presidency.

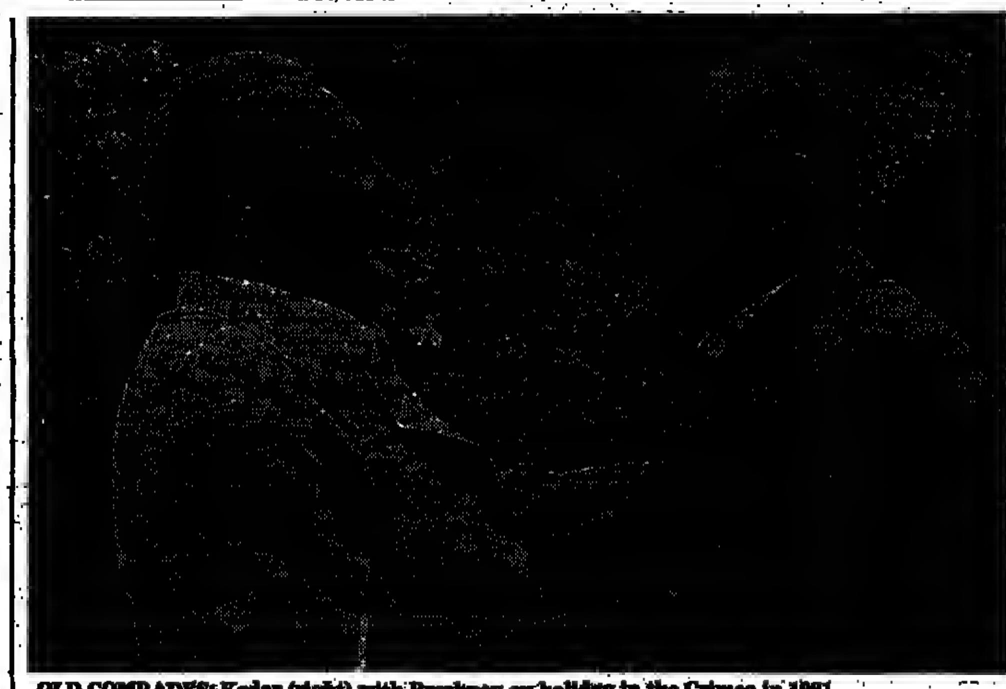
The Budapest leaders will thus not be allowed to air their deep grievances over the treatment of ethnic Hungarians in Romania which has led to a flood of refugees from Romania entering Hungary.

Talks between Mr Nyers and the Romanian leader, Mr Nicolae Ceausescu, on the tense relations between the two countries will also not take place, Dr Degen said. Romania is completing a steel-mesh fence on the border to Hungary at the same time as Hungary is tearing down its fence on the border to Austria.

Mr Ceausescu attempted to obtain a meeting of Warsaw Pact leaders in Bucharest immediately before today's summit in order to criticise the lack of "solidarity" within the alliance.

The topics Bucharest proposed were the "future of socialist construction" a code word for perestroika which Romania violently rejects, and lacking support from its allies at the recent Geneva Conference when Romania was attacked for massive human rights violations.

The Soviet Union said it would support such talks, but only if all the other Pact members agreed, which Moscow was certain they would not.



OLD COMRADES: Kadar (right) with Brezhnev on holiday in the Crimea in 1961.

OBITUARY – JANOS KADAR

A long-serving leader who outstayed his welcome

By Leslie Colitt and John Lloyd

MR JANOS KADAR, who died yesterday at the age of 77, underwent several remarkable transformations in the eyes of his countrymen during his 31-year-rule as head of the Hungarian Socialist Workers' (Communist) Party.

At first he was seen as a traitor, a Soviet placeman, who betrayed the Hungarian uprising of 1956 under the legendary Prime Minister, Imre Nagy. Mr Nagy's triumphant reburial last month was one of the last important public events of which Mr Kadar could have been aware.

From a nadir of popularity, he gained a grudging respect for the gradual liberalisation he began in the early 1960s. His reforms, playing on his perception that he could enjoy a certain freedom of action from Soviet leaders who owed him a large favour for keeping Hungary within their ambit, gave Hungarians greater personal freedoms and higher consumption levels than most other East Europeans.

But the carefully-dosed liberalisation fed a reform movement which finally penetrated the top party echelons and swept him out of office at the congress in May of last year.

His hold on power in the early 1980s, however, was firm. Mr Kadar had been able to eliminate his Stalinist opponents in the politburo and central committee, and his administration was loyal indeed, it gave the appearance of diversity, since dissent was encouraged before a decision on policy was taken.

The ultimate praise for the Hungarian way came from the Soviet leader, Mr Nikita Khrushchev, who had previously ordered the 1956 uprising to be crushed, and who in the 1960s lauded the "goulash" socialism of his Magyar allies.

The subsequent Hungarian reforms of 1968, known as the New Economic Mechanism, were in fact the work of the economist Mr Resso Nyers, now president of the Communist Party. They received Mr Kadar's backing, but pressure from both the party's conservatives and the Brezhnev leadership in Moscow forced him to sack Mr Nyers from the politburo in 1972. Although he was no economist, Mr Kadar realised however that the Stalinist-type command economy had reached a dead end.

The reforms could not have begun at a more inauspicious and dangerous time. Soviet forces had just occupied Czechoslovakia – joined by Hungarian troops, whose use Mr Kadar later claimed he opposed. The conservative reaction against them, however, was contained and the mechanism resumed its momentum in the late 1970s.

It was said at that time that Mr Kadar was the only East European leader who might even have won a genuinely free election, though he never chose to put his popularity to the test. It began waning in the mid-1980s because of the country's worsening economic situation, but in the West, Mr Kadar continued to be dubbed "Mr Hungary", feted in Western capitals at the same time that he was being ridiculed at home as a garrulous, bumbling figure.

> It was said in the late seventies that Mr Kadar was the only East European leader who might have won a genuinely free election though he never chose to test his popularity

He was the butt of Budapest's cabarets. When asked which political leader would come after him, one comedian impersonating Mr Kadar replied: "Comrade Deluge".

He might have gained respect had he stepped down voluntarily. But he hung on too long, receiving significant marks of Soviet coolness once Mr Mikhail Gorbachev began inaugurating a more radical reform in Moscow.

Perhaps the coolest moment came during a recent visit to Moscow of "fraternal" Communist leaders: Mr Kadar had the worst box in a Moscow theatre, and a mere 15 minutes conversation with Mr Gorbachev the next day, described by the Soviets as "frank".

Mr Károly Grósz, evidently the Moscow-preferred successor, began to make coded speeches suggesting his removal. On May 16 1988, the politburo removed him from the post of general secretary, and the closely-following party conference deprived his old guard supporters of politburo positions.

Mr Kadar was given the honorary position of party chairman, a position whose duties he rarely fulfilled because of illness. His treatment by his own party did not seem especially cruel to Hungarians; they never forgot his role in November 1956, when he collaborated with the then Soviet ambassador, Mr Yuri Andropov, to oust Mr Nagy, who was yesterday declared innocent by Hungary's Supreme Court.

Whether he urged the Russians to kill Mr Nagy and 480 other associates is still unclear; Moscow remains reluctant to release all the documents connected with the Soviet role in 1956. But one senior Hungarian official remarked recently that the Russians would have executed them anyway.

However, new revelations about the events of 1956 and the decade preceding it have started to appear in the Hungarian media. Some are about Mr Kadar's own past: he admitted in a recent interview that he had "trusted" Mr Matyas Rakosi, the party's Stalinist general secretary in the late 1940s whose deputy he was, until the show trial on trumped up espionage charges of Mr Laszlo Rajk, the Hungarian Foreign Minister and former Interior Minister.

Mr Kadar himself was arrested in 1951 by the head of the dreaded AVH secret police who acted with Mr Rakosi's approval. He was accused of ties with a police officer of the pre-war right-wing regime of Admiral Miklos Horthy.

He was sentenced to life imprisonment but was released in 1954. Recently, he said of his searing experience that he would have preferred 12 years as a communist in a capitalist prison to 12 months in a communist prison.

The climax of the recent revelations came earlier this year, however, when Mr Imre Pozsgay, the politburo's most radical reformer, said that what had taken place in 1956 was a genuine "uprising" and had been justified. His remarks were the first step in what led last month to the virtual rehabilitation of Mr Nagy by the party and his elevation to the rank of a hero by ordinary Hungarians.

Perhaps it was the deeply moving state ceremony on Budapest's Heroes' Square last month, at which Imre Nagy and his closest aides were mourned by the nation and then reburied, that hastened Janos Kadar's death.

Big budget overrun in store for Greece

By John Wyles in Athens

THE NEW Greek Government's initial scrutiny of public finances points to a 1989 budget deficit which looks likely to exceed official targets by as much as 35 per cent.

"This is Pasok's brutal legacy for the economy," said Mr Anthony Saramas, Finance Minister in the New Democracy-Communist coalition which came into office last Sunday.

In an interview yesterday with the Financial Times Mr Saramas accused the previous Socialist (Pasok) Government of over-estimating revenues in its budget forecast and of boosting public spending in the hope of engineering a victory in last month's general election.

In the event, Pasok lost ground and the largest party, the conservative New Democracy, formed a coalition with the Communists to prepare for new elections in October.

Mr Saramas, a 38-year-old Harvard-trained economist from New Democracy, said the forecasts being prepared by his ministry suggested that this year's budget deficit would be Dr1,900bn (£7bn) instead of the Dr1,400bn (£5bn) assumed in the budget forecast. The higher deficit would amount to around 20 per cent of GDP.

"The numbers which are coming up are incredible," said Mr Saramas. "If you add in the deficit of state-controlled companies, then they become a nightmare."

He said that Pasok's 1989 budget had assumed a 20 per cent rise in revenues, but until the end of May, these had risen by only 8 per cent. Government spending, meanwhile, would leap ahead in the second half of the year because of the soaring public sector salary costs caused by the addition of "tens of thousands" of people to the state payrolls in the run-up to the election.

"The deficit is the main problem of the Greek economy," said Mr Saramas. He acknowledged that the present Government would take no remedial action because the agreement with the Communist side of the coalition ruled out any new policy initiatives in every sphere of government.

The Government's declared aim is to "restore democracy," organise fresh elections and launch prosecutions against former Pasok ministers and officials suspected of involvement in financial scandals.

Mr Tzannis Tzannetakis, the Prime Minister, was expected yesterday to outline inquiries which will cover the embezzlement scandal at the Bank of Crete, allegations of missing commissions in arms purchases, illegal wiretapping and a grain sale scandal.

Exasperated De Mita throws in the towel

ITALY'S Premier-designate, Mr Ciriaco De Mita, gave up efforts yesterday to form Italy's 49th postwar government, following three weeks of talks with members of the former governing five-party coalition, AP reports from Rome.

Mr De Mita, a Christian Democrat whose 13-month-old government collapsed on May 19, said he had informed President Francesco Cossiga that he was unable to resurrect the coalition.

Mr De Mita's attempts were apparently blocked by Socialist leader Bettino Craxi, who had raised a series of objections, the latest involving the inclusion of smaller parties in the governing coalition.

Mr Cossiga was expected to ask another politician to try to form a government. If no one succeeds, the president might have to dissolve Parliament and call early general elections. They had been scheduled for 1992.

The president's office announced that Mr Cossiga would begin consultations with party leaders on Saturday, and that "he intends to press for a solution to the government crisis and solve it as soon as possible."

Mr Craxi, whose Socialists were the second-largest party in the government, refused to join any new coalition headed by Mr De Mita unless the small Liberal and Republican parties cut their ties with the Radical Party and its leader, Mr Marco Pannella.

The Liberals, Republicans and Radicals ran on a joint ticket in European Parliament elections last month.

Mr Craxi has been jockeying for more power for his party, which has greatly increased in influence in recent years. The popular former premier brought down Mr De Mita's government in May by saying he had lost confidence in the premier's leadership.

The Communists, Italy's second-largest party, have been excluded from government for four decades.

Negotiations by a new premier-designate could take several weeks. However, Italy is still a long way from a record for its longest period without a government: 126 days, set in April-August 1979 prior to the formation of a government headed by then Premier Cossiga.

Companies take upbeat view of world economy

By Tim Dickson in Brussels

A HIGHLY upbeat view of global economic prospects is expressed in a survey of leading multinational company managers published yesterday by the European Commission.

The survey, conducted in April and based on answers from almost 500 respondents in about 50 countries, suggests that imports and exports are set to expand in the next few months, that the investment climate throughout the world is still seen as favourable and will improve further over the next six to 12 months, that there is little or no expectation of further price rises "in the near future" and that interest rate increases can be similarly discounted.

The experts said that the US dollar was correctly valued against their own currencies, though they felt that the German mark and the Japanese yen were slightly undervalued.

Economic indicators for May also published in the June edition of the Commission's publication European Economy show "undiminished growth in the EC with no signs of the momentum slackening."

"Domestic demand is still the main driving force behind economic growth in the Community, with investment playing the dominant role. But recently consumers too seem to have regained confidence in the economy. According to the most recent consumer survey and retail survey results, taking the average for the Community, demand for consumer durables is likely to rise."

Kreisky fined for 'Nazi' allegation

FORMER Chancellor Bruno Kreisky was fined Sch 21,000 (£975) yesterday for calling the head of Austria's right-wing Freedom Party a Nazi, Reuter reports from Vienna.

A regional court in Vienna imposed the fine against Mr Kreisky, 78, whose remarks concerning Freedom Party chief Mr Jörg Haider were published in an Austrian weekly magazine.

Mr Haider became governor of Austria's southern Carinthian province in May after the party made sharp gains in regional elections.

Companies snub pollution body

By William Dullforce in Geneva

EUROPEAN COMPANIES with expertise in controlling pollution and managing hazardous waste are less keen than their US counterparts on joining together to improve the environmental performance of private industry.

That, at least, is the conclusion that can be drawn from an appeal for greater European participation in the International Environmental Bureau made by its executive director, Mr Walter Wenger.

The Geneva-based IEB is an independently run division of the International Chamber of Commerce. It was established three years ago to make available the latest industrial know-how on managing environmental matters to small and medium-sized companies and to Third World enterprises.

Its members are select. They have to commit themselves to sharing their know-how in pollution control, waste recycling and environmental control systems with less advanced companies.

So far, the IEB has 29 members, of which 19 are North American and only nine European. Brazil's Cobrasma-FIESP makes up the count.

The Europeans are Ciba-Geigy and the Anova group from Switzerland, Bosch and Henkel of West Germany, British Coal, Unilever, Asea Brown Boveri, Rhone-Poulenc and Petrofina.

Mr Wenger feels a total of around 50 would be adequate and manageable.

CORRECTION

Marceau Investissements

On page 11 of the annual survey on France, which appeared in the Financial Times on June 28, it was incorrectly stated that Marceau Investissements, the investment group of Mr Georges Pebereau, has 10 per cent of Boucheron, the jewellers. Mr Alain Boucheron informs us that Marceau has no share in Boucheron's capital, but that Boucheron and Marceau Investissements last year formed two joint subsidiaries for the development of sales outlets and clock-making.

Swedes grow more confused about relations with the EC

By Robert Taylor in Stockholm

THE SWEDES are growing less, rather than more, positive in their attitude to the European Community despite an intensification in the national debate about relations with the EC.

An opinion poll yesterday in the leading business newspaper, Dagens Industri, reported that only 27 per cent of people questioned said unequivocally that Sweden should join the EC, compared with 29 per cent a year ago. A mere 5 per cent supported a customs union with the EC, an idea discussed widely a few months ago.

It is true that 22 per cent said "yes perhaps" to the question whether Sweden should move closer to the EC and a further 24 per cent were uncertain, while the actual proportion opposed to any convergence was the same as last year, at 15 per cent, and a further 12 per cent said "probably not."

But considering the quickening public discussion about Swedish-EC relations this year, the survey suggests there is still considerable doubt and confusion.

Nearly three quarters of those questioned did not know what the effects of EC membership would be on Sweden. Only 16 per cent actually thought Swedes would be better off, compared with 19 per cent a year ago.

Surprisingly the issue of Sweden's political neutrality – often raised by the Government as a serious obstacle to any suggestion about EC membership – does not appear to worry most Swedes.

More than half said neutrality was probably or definitely not a hindrance to membership, while just under 20 per cent thought it was.

The apparent low level of public interest in the issue, however, may be deceptive. At the moment the government is playing an important role in trying to strengthen the European Free Trade Association as a bargaining force with the Community.

Apart from the right-wing Moderate party, no political forces in Sweden are making an issue of the possibility of the country joining the EC.

For the time being, the Swedish national consensus is to push through domestic changes in parallel with the creation of the European Community's single market but not to accelerate the process by raising the membership question.

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Brazil blames payment error on 'poor planning'

By John Barham in São Paulo

BRAZILIAN Finance Ministry officials admitted yesterday that poor planning had led to serious mistakes in implementing the decision this week to delay payments to foreign creditors and investors.

Brazil had declared on Monday that it would ration payments to foreign creditors and investors, so as to safeguard its official reserves.

The Central Bank failed to make $612m in interest payments to government creditors of the Paris Club. The payments were due on Monday; the ministry now says they will be made next week.

A senior official described as "bad luck that such a large payment was due at the beginning of this process. It was a mistake to delay payment; it is not our intention to suspend any payment to the Paris Club."

As a rule, debtors place a higher priority on honouring loans to official lenders than to private banks.

The Central Bank said yesterday that reserves at the end of the first quarter stood at $7.4bn, but the Finance Ministry says reserves have since fallen by about $1.5bn.

The ministry warned that "speculative transfers" of funds abroad by companies would no longer be tolerated. A government official said: "The Central Bank is implementing a system to organise payments now." A list of priorities is being compiled but will not be made public.

Another ministry official admitted that the new debt policy still lacks detailed planning. The official added: "We held a number of meetings with other agencies over the last two to three weeks to discuss this. However, precise decisions could not be taken because everything was leaking out."

Financial markets had wind of the 12 per cent currency devaluation last week and newspapers published secret papers that discussed delays in payments.

Officials have spent all this week in meetings to plan the next stage in the country's debt policy.

Officials said discussions with the International Monetary Fund still hold out hope for the release of at least part of the $2.5bn to $3bn in loans pledged by private and multilateral agencies.

Meanwhile, the Brazilian government is still discussing new proposals to be made to private creditors. Mr Sergio Amaral, the ministry's international affairs director, said: "We have not decided on anything yet. We are holding meetings and discussing ideas and waiting for the situation to clarify."

EC ties aid to Central American democracy

By William Dullforce in Geneva

THE EUROPEAN Community has told five Central American governments that EC financial backing for the region's $4.4bn Plan of Economic Co-operation (PEC) depends on progress there towards "political pluralism and democracy".

One Central American minister interpreted this to mean that there will be no firm EC commitment before a free election in Nicaragua. An election is due there in February.

The EC reservation was voiced during a three-day meeting here, at which ministers from Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua sounded out industrialised countries and international agencies on funding for the PEC.

The Europeans were not completely negative. Spain said it was prepared to increase its aid to the region by three to five times in the next four years. Italy had earlier commited $115m to help displaced persons.

Moreover, the Europeans and other potential donors agreed to meet the ministers again in Honduras, in August, to study in greater detail some of the PEC projects.

Managua's disco mix fails to keep wolf from door

Tim Coone reports on inequities in the volatile Nicaraguan economy

LOBO Jack is the latest bizarre and opulent creation of Nicaragua's mixed economy. Inaugurated last month, this state-owned discotheque is reputed to be one of the best in Central America. It is a result of considerable investment of scarce resources by the Tourism Ministry, the objective being to mop up some of the ever-increasing cash among Nicaragua's better-heeled young.

The entry fee is about a fortnight's pay of an average working man or woman. The government's new market-based approach to prices, in an effort to rescue the war-ravaged economy, has slashed real wages in the past year and caused an ever-growing concentration of declining wealth in the hands of producers and entrepreneurs. Tickets to the opening night of Lobo (meaning wolf) Jack were sold out.

Just a beer-bottle throw across the road from the laser light-shows are the run-down offices and printworks of Barricada, the ruling Sandinista Front's newspaper and mouthpiece of the revolution. The contrast is as striking as it is confusing to anyone trying to interpret the enigmatic working of Nicaragua's economy.

"We don't want more money to go to concerts or discotheques – we just want enough to eat," complained a teacher in a public meeting with President Daniel Ortega last month, as a wildcat strike by teachers threatened to spread throughout the country and shatter the government's grip on the union movement.

Several weeks ago, riot police tear-gassed protesting taxi drivers,the latter having rejected a deal with the government by their union leaders to ease the effects of a doubling of the petrol price.

Supermarket prices have also doubled, after a 52.5 per cent devaluation of the currency. Since then, the government has announced a 50 per cent pay rise, but a Nicaraguan shopper knows this translates into a 25 per cent loss in purchasing power in the space of a few days. This comes on top of a loss of more than 50 per cent in the purchasing power of wages in the past year.

Government efforts to control inflation through wage stringency and spending cuts bad met success in recent months, average consumer prices having risen by only 15 per cent during May, compared to more than 100 per cent last December.

However, the refinancing of agricultural loans, the urgent need for credit by farmers to begin the new crop-sowing and a lack of the wherewithal to finance them resulted in a sudden increase in the money supply towards the end of May as the Central Bank pumped credit into the finance system. To have failed to do so would have precipitated a political crisis with the private sector and a potential collapse of production of staple grains and export crops.

The cash injection, however, also helped fuel the black market for foreign exchange, through which many producers have to buy machine spares. In efforts to keep pace with the black marketeers, large adjustments in the second-tier parallel market were then made by the Central Bank, followed by a precipitous devaluation of the official rate last month. This automatically doubled fuel prices and raw material costs, which in turn caused a surge in transport and food costs – two of the most sensitive items in the consumer price index.

The relative price stability of recent months thus appears to have been short-lived.

Hyperinflation hovers once again, while the government's favoured control mechanism of wage restraint is being progressively weakened due to rank-and-file militancy in the workplace, this in turn being encouraged by the opposition parties as they build up steam to campaign for the presidential and parliamentary election in February.

Medium-term hopes to stabilise government finances have been dashed by the very limited success of Mr Ortega's tour of 10 western European countries in May. Only $50m of the $250m sought was pledged, and even that has still to be disbursed. Dr Alejandro Martinez Cuenca, Planning and Budget Secretary, bas tacitly admitted that the shortfall of $200m is a principal factor behind the latest money supply surge, and that to put the government's economic stabilisation plan back on track will require substantial external finance.

Most political analysts see no new commitments of bilateral foreign aid and credit until after the election, which perception points to growing instability in the economy in the remainder of 1989.

"It is difficult to imagine what the Sandinistas might pull out of the hat now to prevent a further decline in the economy and their political support during the remainder of the year," said Mr Carlos Cuadra, a left-wing opposition National Assembly member. However, he added: "Most probably they will start building up reserves now, by being even more austere in the next few months so as to have a consumer boom before the election. I suspect we'll be eating turkey by Christmas."

Ortega: Pressed by the hungry

NICARAGUA'S SHATTERED ECONOMY

	1980	1981	1982	1983	1984	1985	1986	1987
GDP growth (%)	1.1	5.3	-0.8	4.6	-1.6	-4.1	-0.6	1.7
Inflation (%)	35.3	23.9	24.6	31.0	35.0	220.0	681.2	911.9
Trade deficit ($m)	352.5	414.2	317.5	349.3	413.9	498.7	479.3	539.0
Fiscal def (m Cordobas)	1.4	2.6	5.7	10.3	10.6	25.3	64.2	334.6

Source: IMF, EIU estimates

UN leader criticises 'inadequate' Brady plan

By William Dullforce

THE BRADY plan for dealing with the international debt crisis is inadequate and too slow, Mr Antoine Blanca, UN Director-General for Development and Economic Co-operation, said in Geneva yesterday.

UN studies showed that a debt reduction of 40 to 50 per cent would be needed to ensure the renewal of sustained economic growth among the heavily indebted countries and remedies had to be found within six months.

Mr Blanca warned that the debt problem was an enormous, delayed-action bomb, and that more and more people were regarding it as an issue involving world security.

Anger was rising in the indebted countries. Argentines could not understand that, however much they increased their exports to pay their debt, these were never enough.

The director-general – second in the UN hierarchy to Mr Javier Pérez de Cuéllar, the Secretary-General – praised the plan, which is named after Mr James Brady, US Treasury Secretary, for moving in the right direction. However, he criticised it for sticking to the case-by-case approach to debt restructuring. It was not sufficient to try remedies in one country and then see if they could fit others, he said.

The fights by industrialised countries against inflation was well-founded but the two mechanisms used – high interest rates and low raw material prices – were profoundly negative for nations in the poorer South.

At the Paris summit next week, the leaders of the seven main industrialised countries should lay the ground for a better policy towards the developing world, Mr Blanca said.

Reuter reports from New York: The chairmen of most banks on Mexico's 15-member advisory committee of commercial bank creditors met on Wednesday and discussed increasing an offer of debt reduction to 35 per cent from 30 per cent, but did not make a proposal.

Bankers said the committee was split, with someEuropean banks, in particular the French, opposing a 35 per cent debt reduction offer for Mexico, whose debt settlement is expected to provide a test case for the Brady initiative.

Some suggested the chairmen's meeting was convened after Mexico had offered fresh signs of compromise. "We understand Mexico may have dropped to 40 per cent, and indicated it could mova towards 35 per cent," one said, referring to Mexico's request for debt reduction.

Caricom team to visit Haiti

FOREIGN ministers from four Caribbean Community (Caricom) countries are to visit Haiti, following indications "that a process of reform" has been promised by its military government, Canute James reports from Grenada.

The community is planning to assist the Haitian government in organising and supervising promised elections.

During their annual meeting here, leaders of the Caricom countries said they were pleased with commitments by the Haitian government to allow installation of an elected government.

US-UK deal on customs data

US CUSTOMS Commissioner William von Raab signed an agreement with Britain yesterday to simplify procedures for exchanging information on drug trafficking, commercial fraud and other customs matters, AP reports from Washington.

A Customs spokesman said the Mutual Assistance Agreement, "for the first time, provides a legal basis for inter-governmental co-operation" that has been going on informally for years. He said similar agreements were being negotiated between the US and other trade partners.

LA stockbroker sentenced on Boesky evidence

By Roderick Oram in New York

MR BOYD Jefferies, a former Los Angeles stockbroker, was sentenced yesterday to five years probation and fined $250,000 for securities law violations involving Mr Ivan Boesky, the disgraced Wall Street speculator.

Mr Jefferies had pleaded guilty in April 1987 to two charges of violating record-keeping and margin requirements, but his sentencing was delayed while he co-operated with the authorities.

Having pleaded guilty, ha left the securities firm he had founded and moved to Aspen, high society's ski-ing centre in Colorado. There he established a golf camp for under-privileged children.

He is banned for life from the securities industry.

Jefferies Group is still an active market-maker and big block trader, particularly after US east coast markets close.

Just as information Mr Boesky supplied to the government led to Mr Jefferies's conviction, so in turn his testimony led to the conviction last month of Mr Paul Bilzerian, a Florida corporate raider, on nine charges of breaking take-over laws.

In sentencing Mr Jefferies in New York, Judge Morris Lasker said it was important to send a message to the financial community about the penalties of criminal activities. But Mr Jefferies's crimes had been less serious than those of others, such as Mr Boesky, and he had not traded on inside information.

Mr Jefferies had faced a maximum of 10 years jail and a fine of $500,000.

The subject of Wall Street crime resurfaced in Washington yesterday with Congressman John Dingell saying his House committee had subpoenaed Mr Boesky to appear at hearings later this year. Mr Boesky is serving a three-year jail term.

Japanese business rallies round beleaguered LDP

By Stefan Wagstyl in Tokyo

JAPANESE big business is rallying around the beleaguered ruling Liberal Democratic Party in advance of elections to the Diet's upper house later this month.

Shocked at the party's drubbing in this week's municipal elections in Tokyo, business leaders are closing ranks behind the party. In particular, a handful of senior businessmen who loudly criticised the LDP over its involvement in the Recruit financial scandal has gone quiet.

Chief among them is Mr Takashi Ishihara, chairman of Nissan Motor, the car maker, and of the Japan Association of Corporate Executives. Throughout the Recruit affair he was a persistent critic of the LDP leadership and one of the first public figures to demand the resignation of Mr Noboru Takeshita, the former prime minister, who eventually quit early last month.

Immediately after the results of the Tokyo election were announced, Mr Ishihara was quoted as saying the opposition should now play a bigger role in Japanese politics. But a day later he said he had been misquoted.

Business leaders feel there is nothing fundamentally wrong with the political system, which has served Japan well, in their view, since the Second World War. However, they acknowledge that the Recruit affair, which involved Mr Hiromasa Ezoe, a self-made businessman, buying favours from politicians, highlighted abuses which have to be stamped out.

"Recruit is considered as abnormal," said Mr Katsunosuke Maeda, president of Toray Industries, the textiles and chemicals group.

Reform was needed to make the system of political fund-raising more transparent, as it was in the US. But, Mr Maeda added, there were limits to how far reform should go. "In the case of a building, if we don't allow any space for flexibility the building may be too rigid and cracks may appear."

Toray itself made contributions to politicians but had "hardly ever" asked for anything in return except for the occasional meeting with a minister, said Mr Maeda.

Businessmens' greatest fear is of the disruption caused by instability in politics. They believe they have already suffered because of the near-paralysis which has affected government ministers. They read foreign exchange market reports which say one of the reasons behind the yen's recent weakness has been the LDP's inability to appoint a credible prime minister.

Most of them believe that the quickest road back to political stability is a recovery of the the fortunes of the LDP. Mr Maeda said opposition leaders lacked the experience to form a government.

So the best thing was for the LDP to put the Recruit affair behind it, he said. It was not vital that the LDP had an outright majority as long as a coalition could be formed with the LDP at its centre.

Sosuke Uno, the Japanese Prime Minister, gains in glamour yesterday with Yoko Izumi, the Rose Princess of Fukuyama

US fiscal policy 'key to economic stability'

Robin Pauley on a new report which blames the US not Japan for trade imbalances

THE main burden for correcting imbalances on leading economies' current accounts should now fall on fiscal policy, especially US fiscal policy, as exchange rate changes alone will not lead to any effective corrections, according to a paper published in New York and London today by the Group of Thirty, the economic and financial think-tank.

The paper by Dr Masaru Yoshitomi, director general of the Japanese Government's Economic Research Institute, says the burgeoning current account surpluses in Japan during the 1980s are attributable largely to the expansion of the US current account deficit rather than to developments within Japan.

He cites US trade in manufactures between 1981 and 1986 which deteriorated uniformly and proportionately across both goods and countries.

The export and import share of each trading partner in US total exports and imports remained largely unchanged from 1981 to 1986.

For example, US imports of goods from Japan accounted for 25 per cent of merchandise imports in 1981 and 27 per cent in 1986; imports from Europe were 22 per cent in 1981 and remained the same five years later.

The US deterioration with the Asian NICs (Singapore, Hong Kong, Taiwan and South Korea) was also proportionate. The main disproportionate change in favour of the US was with Canada but this was more than offset by a disproportionate deterioration with the less developed countries, mainly in Latin America.

"This pervasive deterioration of the US trade balance across different categories of goods and trading partners and regions strongly suggests both that the origin of the deterioration was in the US and that the international payments imbalance, which emerged after the early 1980s was macroeconomic in nature rather than microeconomic," the paper says.

Dr Yoshitomi dismisses the link which is often assumed between the high level of savings in Japan and the external surplus. Household savings, at around 16 per cent of disposable income, are very high by international standards but they cannot alone be responsible for Japan's external surplus, which is the equivalent of total domestic savings (not just household savings) minus total domestic investment.

During Japan's high growth periods, the domestic savings rate was high but these savings were fully absorbed by high domestic investments, occasionally even resulting in external deficits.

This was followed by a chronic external surplus in the late 1960s and early 1970s, made worse by the increasingly undervalued yen.

But during the 1970s the pattern of domestic savings-investment balance changed as the excess of the corporate sector's investment over its savings (that is, its profits) declined by around 3 per cent of GNP, mainly because Japan's economy moved from a high growth rate of about 11 per cent a year to a more modest 4 to 5 per cent a year.

Any potential surplus, however, was mopped up by the oil deficits caused by the two oil shocks and by increasing general government deficits.

During the 1980s the external surplus has increased again to about 4 per cent of GNP. While both household and corporate savings have also increased, the rises have been modest.

Dr Yoshitomi also notes that there has been an increasing tendency for Japan to supply its excess domestic savings to the world economy.

He says this can only continue to be a productive aspect of world economic development, based on sustainable current account surpluses, if the US takes corrective fiscal measures.

Dr Yoshitomi estimates that a reduction of the US budget deficit by $15bn a year for five years would lead to a US current account deficit of 1 per cent of GNP and a Japanese surplus of about 1.5 per cent of GNP.

This could be achieved without any further real exchange rate changes.

Japan's Savings and External Surplus in the World Economy, Masaru Yoshitomi. Group of Thirty, 277 Park Avenue, New York, NY 10172, or 33 St Mary at Hill, London EC3R 8AJ. $10 or £7.

$3.5bn economic aid for Philippines in coming year

By Stefan Wagstyl

INDUSTRIALISED countries have pledged to give $3.5bn (£2.2bn) over the next year in economic aid for the Philippines in the Multilateral Assistance Initiative – an international programme dubbed a mini-Marshall Plan.

The World Bank, which leads the aid-giving consortium, said the flow of funds under the programme could total $14bn over four years.

The pledges were made on Wednesday, the final day of a multinational conference held in Tokyo to launch the plan, attended by six international organisations and 19 nations, including the US, Japan and European Community countries.

The plan was originally put forward in 1987 by the US, which wanted to share the financial burden of supporting the Philippines with other industrialised countries, especially Japan.

The aid, mainly in the form of soft loans topped up with some grants, will be used for wide-ranging measures to modernise the Philippines' economy, including agrarian reform. The package has been put together following considerable criticism from some donor countries of economic progress in the Philippines.

The original plan for the assistance programme envisaged donors committing funds for a multi-year scheme. But Japan, among others, insisted that more frequent reviews were necessary. As a result, funds were pledged on Wednesday for one year only, although with the understanding that given satisfactory progress, donors would continue contributing in future years. The donors agreed to monitor progress.

Speaking after the conference, Mr Roberto Villanueva, chairman of the the co-ordinating council of the Philippine assistance programme, said the commitments were a sign of strong support for the government of Mrs Corazon Aquino.

Among the donors, Japan pledged the largest amount with Y125bn ($860m), against Y107bn in bilateral aid last year. The 1989-90 figure includes Y20bn in grants and Y115bn in soft loans. The US promised $200m over the next year in addition to $480m already promised over the next two years. The EC commitment will put up about $350m.

Meanwhile, Japanese officials have given more details of the Third World aid package they intend to unveil at the Paris summit of Western leaders.

They said Japan was likely to reveal plans to beef up its programme for recycling its trade surpluses to developing countries from the current scheme of disbursing $30bn over the three years to March 1990, to one involving $35bn over the two years from April 1990. The funds are mostly soft loans.

Japan would also give about $600m to the poorest countries of Africa in grants over the three years starting from April 1990, against $500m in the current three-year programme, which ends next March.

Qantas denies recruiting is threat to HK airport

By Chris Sherwell in Sydney

QANTAS, Australia's state-owned international airline, yesterday rejected suggestions that its recruitment of Hong Kong aircraft maintenance engineers threatened the colony's airport operations.

A spokesman for the airline, which is suffering a severe shortage of engineers, acknowledged that it expected to engage about 150 engineers from the Hong Kong Aircraft Engineering Company (Haeco), and that all would be offered Australian citizenship.

He said the number represented a small proportion of Haeco's 3,500 to 4,000 staff. But the problem for the Hong Kong government, Kai Tak airport and Cathay Pacific Airways is that the 150 are more than a third of the 400 highly skilled maintenance and engineering staff who clear aircraft as fit to fly.

The Qantas spokesman said there was a worldwide shortage of aircraft engineers, which meant demand for such people was intense.

Recruitment from Hong Kong is sensitive because of its potential implications for confidence in the colony following the recent upheavals in China, which resumes control of Hong Kong in 1997. The issue has already become a matter of discussion between the UK and Australian governments.

Canberra was said to have taken note. In a separate response to inquiries yesterday, it acknowledged that a team was in Hong Kong as part of a recruitment campaign begun last year in the US, Europe and Asia.

Australian airlines were expanding and recruiting staff in a number of fields, a government spokesman said, and it was "customary to tap into the world market." The recruitment, he stressed, was being done in accordance with commercial requirements and normal immigration procedures.

HK industry set to leave

By Michael Marray in Hong Kong

A SURVEY of manufacturers carried out by the Federation of Hong Kong Industries has found little confidence among its members in the territory's future after 1997, with three quarters of respondents saying they were considering or planning emigration.

The federation represents a spectrum of industries from toys and plastics to electronics, garments and textiles, and includes big companies as well as small entrepreneurs, all of whom must be engaged in manufacturing in Hong Kong.

The survey of 66 members underlines the loss of confidence in the wake of the June 4 massacre in Peking, though even before that date 40 per cent of those interviewed had said they wished to emigrate.

Manufacturers, many of whom have seen several years of good profits, would be prime candidates for the various business migration programmes in countries such as Australia.

Thailand, Singapore at odds over caning illegal workers

By Roger Matthews in Bangkok

THAILAND has agreed to send up to 5,000 workers back to Singapore by the middle of this month if the Singapore authorities refrain from administering corporal punishment to a Thai worker arrested for having entered the island illegally.

The fate of Mr Somkid Khamchan, who last month was sentenced to three strokes of the cane and three months in jail, has aroused national interest in Thailand. Some politicians and editorial writers have taken an increasingly hostile stance towards Singapore, describing its new caning law as "barbaric" and warning of possible retaliation.

Nearly 10,000 Thai workers were evacuated by sea and rail from Singapore at the beginning of April, followed by 1,750 workers from India the following month.

All had been found to be working in Singapore illegally. However, the Government indicated it would welcome workers back if they followed the right procedures.

About 20 per cent of Singapore's workforce comes from abroad and foreign workers, such as Thais, form a large part of the manual labour force, especially in the construction industry.

Some Singaporean projects, such as the new airport terminal, are believed to have been delayed as a result of the exodus of foreign workers.

Last month Indian officials warned of possible "grave consequences" if nine of its citizens were caned for remaining illegally in Singapore and diplomats hinted that a future Singapore trade mission to India might have to be postponed. Singapore has pointed out that the caning takes place under medical supervision.

Earlier this week President Wee Kim Wee of Singapore said the nine Indians would not be caned but would have to serve their jail terms. The Thai Government hopes a similar petition on behalf of its citizen will also prove successful.

A spokesman for the Interior Ministry in Bangkok said yesterday that 5,000 workers would be ready to leave for Singapore on July 14 if the caning order was withdrawn.

The Thai authorities would also like to see tougher measures introduced against Singapore employers and job agencies who knowingly provide work for or recruit illegal immigrants.

Likud ties Shamir's hands over peace plan

Hugh Carnegy examines the political confusion after yesterday's bus crash

VIOLENT incidents have a depressing habit in the Middle East of overwhelming mere politics.

So it was yesterday that news of the bus crash on the Tel Aviv-Jerusalem highway, evidently caused by a Palestinian extremist, swept away considered analysis of Mr Yitzhak Shamir's retreat into a hard-line position on his peace plan for the occupied territories.

It left instead anxious confusion over what order might emerge from the latest act of chaos.

Before the crash happened, however, it was possible to discern some of the patterns that lay behind the Prime Minister's decision on Wednesday night to make a significant act of appeasement towards right-wing critics of his proposals within his own Likud Party.

The move left his Labour partners in coalition and his prospective Palestinian partners in the peace process predicting that the initiative is now all but dead.

After weeks of insisting that the Likud central committee must not heed calls by rebel ministers Mr Ariel Sharon, Mr David Levy and Mr Yitzhak Moda'i to attach formal conditions to the peace initiative that would seriously limit its scope, Mr Shamir allowed exactly that to happen by agreeing to a resolution incorporating their demands.

The Prime Minister's aides and supporters pointed out afterwards that the resolution had endorsed continued promotion of the peace plan.

They insisted Mr Shamir had agreed to nothing he had not previously proclaimed as his own position regarding the plan.

But the reality is that Mr Shamir is now formally bound by his party not to give any ground on several key issues on which the US and the Palestinian side are demanding flexibility as a condition for taking up the Israeli proposals.

These include Jewish settlements in the West Bank and Gaza Strip, the role of East Jerusalem Arabs in the elections Israel is proposing in the territories, and the principle of exchanging "land for peace".

Although Mr Shamir has sympathised with the rebels' demands all along, the explanation for his retreat almost certainly lies in an anxiety not to split Likud (the word means unity) and thus threaten his position as leader.

The overturned and burnt-out bus outside Jerusalem yesterday in which at least 14 people died

A close aide to Mr Shamir said after the conference broke up that it was now up to the US, which has been trying to mediate between Israel and the Palestine Liberation Organisation, and Labour to decide what to do next.

"We know they won't love it," he said of the US with a shrug. That may be something of an understatement: Washington will be exasperated with the adoption of a stance which severely limits its cautious Middle East diplomacy, and the result may well be fresh strains in the crucial US-Israeli relationship.

Labour's position is more delicate. Mr Shamir appears to be calculating that the junior coalition party would not have the cohesion and courage to break up the National Unity Government on this issue, and that even if it did Likud would be better placed with the electorate.

Labour, having come behind Likud in the general election last year and in subsequent municipal polls, has so far been a passive – and divided – partner in coalition.

A senior Labour figure admitted recently that the party was "so busy eating itself" it might well not be in shape to take advantage of any opportunity presented it by Likud.

The voices of those who opposed the decision to join the Government, and who always scorned Mr Shamir's peace initiative, were raised much louder after Wednesday night. Mr Yitzhak Rabin, the Defence Minister and chief Labour advocate of the peace plan, also countenanced the end of the coalition, albeit not immediately.

Before the bus disaster, they would have taken heart from opinion polls showing strong support for the peace plan as originally proposed. But opinion in Israel is volatile, and such an event can only polarise public attitudes further.

Bhutto seeks investment from Britain

By Robin Pauley, Asia Editor in London

BRITISH businessmen were yesterday urged by Ms Benazir Bhutto, Prime Minister of Pakistan, to invest in her country and help to establish sophisticated industry.

She also told a joint conference of the Confederation of British Industry and the British and South Asian Trade Association that Pakistan's tourism potential was vast and untapped.

Ms Bhutto, on the first full day of a one-week visit to Britain during which she hopes to secure increased investment and aid for Pakistan, also spent just over 30 minutes with Sir Geoffrey Howe, the British Foreign Secretary. They discussed Afghanistan and Pakistan's relations with India. Ms Bhutto will also meet Mrs Margaret Thatcher, the British Prime Minister, and Sir Shridath Ramphal, Secretary-General of the Commonwealth.

They will discuss Pakistan's return to the Commonwealth which has now been agreed by all 48 members according to a letter sent to Ms Bhutto by Sir Shridath on Monday, India having dropped its long-standing veto.

Ms Bhutto told yesterday's business conference that she was already restructuring Pakistan's economy to ensure orderly economic growth "with justice." She said she had demolished barriers and unnecessary government controls, embarked on a programme of privatisation and lifted a ban on trade union activity.

Last year, Britain exported goods worth £263m ($410.2m) to Pakistan and bought imports totalling £175m, mostly textiles. Britain is the single largest investor in Pakistan.

Mrs Bhutto said Pakistan had an expanding economy and an energetic labour force. The aim was to develop engineering, machine building, chemicals and electronics.

Bush Administration criticises tough conditions for elections

By Lionel Barber in Washington

THE BUSH Administration yesterday criticised tough conditions set by Mr Yitzhak Shamir, the Israel Prime Minister, on his plan plan for elections in the occupied territories, but said it was still alive.

Mr Richard Boucher, spokesman for the State Department, said: "We deal with governments; I don't want to get into the middle of Israeli domestic politics." And he added: "Partisan declarations, particularly if they appear to be more restrictive or to impose conditions, do not advance the peace process."

A US official noted that the Israeli Cabinet – made up of Likud and Labour Party members of the coalition Government – had approved the Shamir initiative last May. Mr Shamir's actions, under pressure from hard-line Likud members, came in the forum of a "political rally" and did not amount necessarily to government policy.

In the medium-term, Mr Shamir's conditions actions may force the US to put forward its own blueprint for elections to encourage the Palestinians to take part. This is something the Administration has resisted to avoid appearing to impose a solution.

Yet as one diplomat said yesterday: "The Administration risks seeing the process stall."

Mr Clovis Maksoud, envoy for the Arab League in Washington, called the Israeli plan "dead." But, while making the ritual calls for an United Nations-sponsored international peace conference on the Middle East, he invited the US to come forward with its own ideas: "If the US is able to bring about a rational redefinition of an election plan which is tied to a credible outcome. . . of course we, the PLO as well as the Arab states, are definitely committed to the peace option."

The US opposes several of the conditions agreed to by Mr Shamir, and in recent speech called for an end to Israeli expansion of Jewish settlements in the West Bank and Gaza. US officials were also quietly confident that Mr Shamir would emerge with an election plan which was not emasculated.

Burma's military leader faces the press

By Chit Tun in Rangoon

GENERAL Saw Maung, the Burmese leader, gave a press conference yesterday. In most countries that would not be news, especially as he did not have a lot to say. But this was the first press conference by a leader of Burma for more than 26 years.

The smiling general seemed quite at home in the company of the press, and his apparent openness was in sharp contrast to the stern and secretive stance of his former chief and predecessor, General Ne Win, who is still widely believed to be pulling the strings of power behind the scenes.

General Ne Win was noted for oot giving a single press conference inside Burma during his 26 years of rule.

General Saw Maung said that as the armed forces chief he had to step in on September 18 to arrest mounting violence in the country.

He reiterated an earlier promise to hold free and fair multi-party elections next May as scheduled and said that full democratic freedoms would be restored early next year before the elections. The general also said that the armed forces had been "de-politicised" since the dismantling of the one-party system last year and added that they would remain "neutral" in the coming elections.

To illustrate his statements, the general had the conference hall in the war office piled high with posters and pamphlets, illegally issued by some political parties. There were also tape recordings of their leaders' anti-government speeches, and typewritten scripts of the monitored BBC, VOA and all-India radio broadcasts which were sharply critical of the Government. A videotape was shown to the press showing mob violence and atrocities committed by hooligans during the pro-democracy demonstrations of last year.

General Saw Maung's key message, delivered extempore and in a relaxed manner, was that the "confrontational" policy of some of the newly-formed political parties would do more harm than good to the country and the cause of democracy.

"Parties should realise that if students and youths come to adopt this policy, it is the people, not the armed forces, who will suffer," he said, adding that if parties defeated in the coming elections pursue this policy against the party which wins and comes into power, maintenance of law and order would be difficult and "without law and order, there will be no democracy."

The message was believed to be aimed principally at the national league for democracy, the most active of thepolitical parties with considerable student and youths following.

The party's general secretary is Ms Aung San Su Kyi, the 44-year-old daughter of the late Burmese leader General Aung San. A graduate of Oxford University in England, she has been quite scathing in her repeated criticism of General Saw Maung's military government for what she perceives is an unwarranted denial of democratic freedoms to the people and political parties.

Saw Maung: more open

Asean gives cool response to Pacific co-operation plan

By Peter Ungphakorn in Brunei

FOREIGN ministers of the Association of South East Asian Nations (Asean) responded coolly yesterday to proposals from Australia, the US and Japan for the establishment of economic co-operation in the Pacific region.

Asean has not rejected the proposal. But unless the Pacific rim industrialised countries, including Canada and New Zealand, can provide more details in the next few days and persuade Asean to consider the plan with greater enthusiasm, Mr Bob Hawke, the Australian Prime Minister, might not achieve his objective of holding a ministerial meeting in November.

Mr Hawke sees the proposed group as a means of giving Pacific rim countries a greater voice in pushing for freer trade under globally agreed rules, as well as means of liberalising trade within the region.

During the opening session between Asean and its six industrialised dialogue partners – the sixth is the EC – Mr James Baker, the US Secretary of State, forcefully supported the substance of the Australian proposal without mentioning Australia.

He asserted the US determination to play a leading role in Pacific rim security as well as economic affairs, saying the US would serve as a "catalyst" for co-operation.

The Australians have used the same terms to describe their own role, but they envisage a purely economic union. The Japanese are prepared to accept some political content.

Asean ministers are said to have expressed fears during a closed-door session that the proposed group could be dominated by Japan and the US and plagued by north-south disputes.

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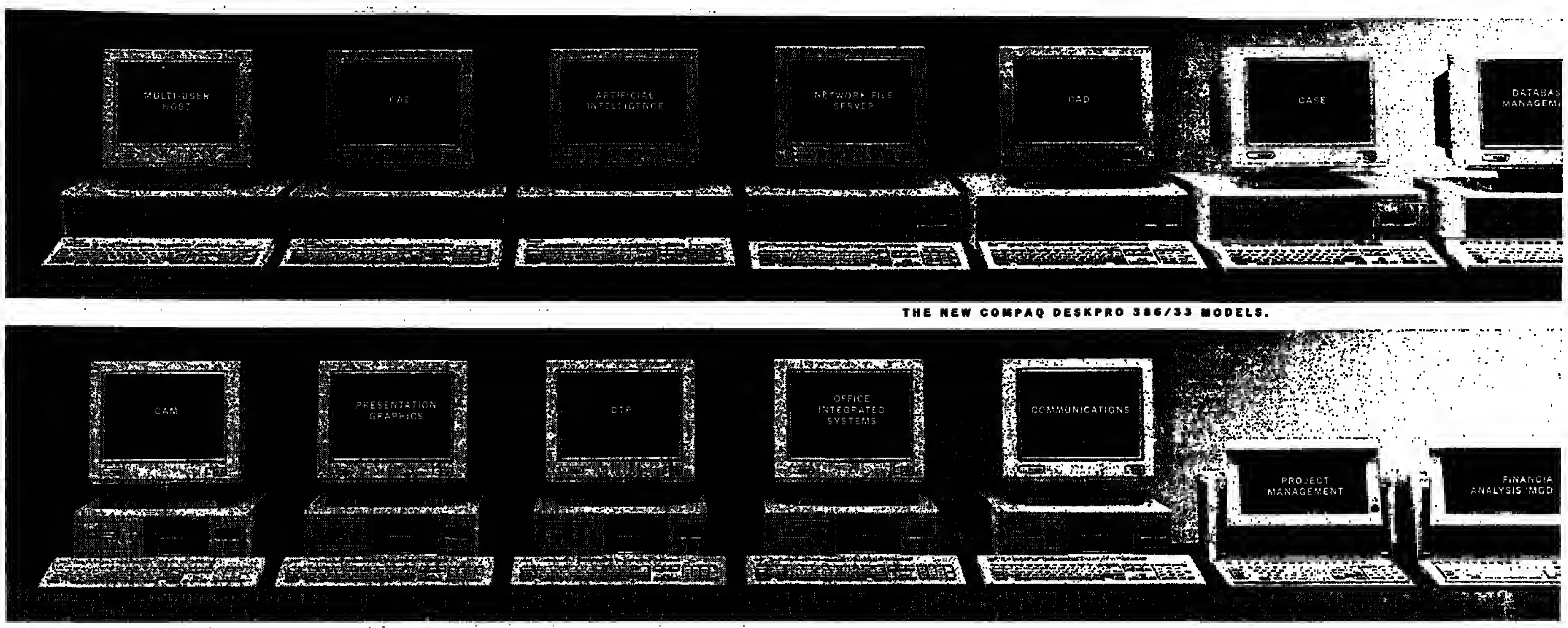

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Gatt talks on tariffs regime falter

By William Dullforce in Geneva

AN ATTEMPT to simplify the world trading system by combining under a single *ad valorem* tariff the multiplicity of import charges levied by governments at their borders has run into the sand during the Uruguay Round of multilateral trade talks.

The best outcome now possible is that governments will agree to show all the extra charges alongside the ordinary customs duties in the tariff schedules of the General Agreement on Tariffs and Trade. This would make it easier for both exporters and officials negotiating tariff reductions to assess the totality of the charges levied on imports by any one country.

New Zealand promoted the idea of a single rate in the group handling changes to Gatt Articles in the Uruguay Round, but yesterday Mr Crawford Falconer, Wellington's spokesman in the group, acknowledged that it had proved to be impracticable.

The New Zealanders pinpointed an anomaly in the Gatt system under which countries negotiate reductions in tariffs and "bind" them at the new levels. Binding commits governments not to raise the tariffs again.

However, governments also apply a plethora of surcharges, revenue duties, development taxes, port taxes and stamp duties, which are only partially monitored by Gatt but which distort the tariff measure. In some cases, they are a bigger charge on imports than the straight tariffs.

Even so, the introduction of a single rate would involve converting flat rate taxes into *ad valorem* duties, harmonising charges of varying life periods providing revenues for several different authorities, and tracing back charges in time, in order to correct existing tariffs.

Instead, the group decided this week to work out whether the extra charges could at least be recorded on Gatt schedules.

$1.7bn Turkish power station talks bogged down

By Jim Bodgener in Ankara

DIFFICULTIES in resolving final agreements have bogged down the 1,400MW thermal power station project together with an associated port costing about $1.7bn (£1.04bn) planned on a build-operate-transfer (BOT) basis at Yumurtalik in south-eastern Turkey.

The Turkish Government is now expected to resume talks next week on an alternative scheme at Aliaga, near Izmir.

Commercial financing valued at around $240m should have been tied up for the power station by the end of this month between the government and the project consortium, led by Japan's Chiyoda and Westingbonee Electric of the US. However, so far the Turkish authorities have not felt secure enough to approve syndication.

Meanwhile, Japan'e Electric Power Development Company (EPDC) is expected to send a big delegation to Ankara next week for talks on a proposal for a 1,000MW thermal plant on a BOT basis at Aliaga, estimated to cost around $1bn.

The EPDC group hae recently been the most persistent in pursuing its project of a number of consortia which were disappointed when the Turkish government selected the Chiyoda/Westinghouse group last summer for exclusive negotiations for Turkey's first major BOT thermal power station.

Swiss export risk body records SFr254m deficit

By John Wicks in Zurich

THE SWISS Export Risk Guarantee (ERG) programme recorded a deficit of SFr254m (£97m) last year, almost exactly the same as the shortfall of SFr252m for 1987.

This was due primarily to value adjustments on debt-consolidation assets, to actual claims and to interest paid on government advances.

The ERG programme has now shown a deficit for every year since 1978, though until 1982 it was able to cover this from reserves. The government has been supporting the scheme by a series of repayable advances since shortly after the ERG became theoretically financially independent in 1981.

For 1988, the government advance was increased from SFr235m to SFr440m, so that the programme now owes the confederation SFr1.6bn.

After declining over a four-year period, the total of new guarantees rose again last year, increasing by 19 per cent from SFr1.05bn to SFr1.25bn. By the end of 1988 total guarantee valne outstanding amounted to just below SFr8.75bn.

This May, steps were taken to improve the programme by altering the premium structure and improving some coverage. In effect, "good risks" have become cheaper to insure and poor ones dearer.

Egypt struck from Arab blacklist

ARAB officials organising an economic boycott of Israel said they removed Egypt and 21 companies from their blacklist yesterday, Reuter reports from Damascus.

The move was automatic following Egypt's readmission to the Arab League in May. It was suspended from the league when Cairo signed a peace treaty with Israel in 1979.

Among the companies removed from the list were the giant US General Motors, Jeep Corp, British Jeyes and French cosmetic maker L'Oreal SA, the officials said.

A partial boycott on Japan's Sony and its affiliated companies was also ended while cases of some companies threatened with blacklisting were settled. These included the US Chrysler Corp, US General Electric and the British GKN international contracting company.

The meeting also cancelled a boycott of some Romanian goods after Romanian authorities presented documents confirming the government had stopped importing these goods from Israel, the officials said.

The meeting added 15 international companies to their blacklist. Egyptian companies dealing with Israel would still be blacklisted.

"The meeting decided to cancel the extraordinary rules related to Egypt on the occasion of the restoration of Egypt's full membership in the Arab League," an official said.

Morocco signs six dam contracts

MOROCCO has signed contracts with six foreign enterprises to start building one of the biggest dams in Africa, Reuter reports from Rabat.

The entire project will cost 30bn dirhams ($3.48bn), the Government said.

The Mjara Dam on the Ouergha River, the main tributary of the Sebou north of Rabat, will irrigate 100,000 hectares in the Gharb Valley and should produce 390m kilowatt-hours of electricity a year.

The dam, 220 km northeast of Rabat, will be built by Cubierta of Spain and Torno and Cogefar of Italy, who have been awarded contracts worth $120m each, in association with a group of Moroccan public works companies called Jeddah.

The Soviet Union's Technopromexport will supply and install turbines, generators and flow control gates worth $180m to be paid for with exports of Moroccan citrus fruits and other farm products.

The project will be financed by Spain, Italy and three Middle Eastern financial institutions – the Abu Dhabi Fund for Arab Economic Development, the Kuwait Fund for Arab Economic Development and Saudi Fund for Development.

Officials in Rabat said the loans would be at average annual interest of 4 per cent, over periods of between 20 and 30 years.

Fresh twist in battle for Thai rail deal

By Roger Matthews in Bangkok

THE LONG-RUNNING battle for the contract to build and operate Bangkok's $1.6bn Skytrain Project has taken another twist with a decision by the Thai authorities to reopen negotiations with the Asia-Euro consortium which had been placed second in the original bidding.

This follows an assessment by the Thais that the preferred consortium headed by Lavalin International of Canada had not met one essential financial requirement.

The Export Development Corporation of Canada which would make available $625m in loans, 40 per cent of it on highly concessional terms, requires by law a Thai Government guarantee that the money will be repaid.

The Thais say that from the outset they made it clear that under local law the government cannot guarantee loans to companies in which it has less than a 70 per cent stake. The Thai Government will have only a 25 per cent stake in the company set up to build, operate and then after 30 years transfer the rail system to full Thai ownership.

A compromise proposal for a syndicated loan which could be used to repay the Canadian Government was rejected by the sub-committee of the Expressways and Rapid Transit Authority of Thailand which has been negotiating.

It was not immediately clear whether the recommendation to resume negotiations with the Asia-Euro consortium (Leighton of Australia together with West German and Belgian partners) is an attempt to put additional pressure on Lavalin, a political move designed to head off criticism from opposition political parties, or a real threat to Lavalin's chances of winning the contract.

It is claimed that Asia-Euro may now be ready with a financial package which would not require a Thai Government guarantee. The issue could be further complicated if the third-placed Franco-Japanese consortium is also called to negotiate.

Norway seeks to boost arms sales and remain virtuous

Anthony McDermott attempts to unravel disputed new regulations on the country's weapon exports

THE Norwegian government has issued controversial new guidelines for arms sales in an attempt to increase exports through involvement of their companies in foreign joint ventures.

The new more liberal regulations, issued by the Foreign Ministry, which monitors defence sales, should make it much easier for Norwegian companies to enter into military joint ventures.

But the new rules are proving controversial because some fear that the lure of large defence contracts and the loss of control to a majority share foreign partner could mean that Norwegian defence equipment may end up in the hands of countries excluded under existing legislation.

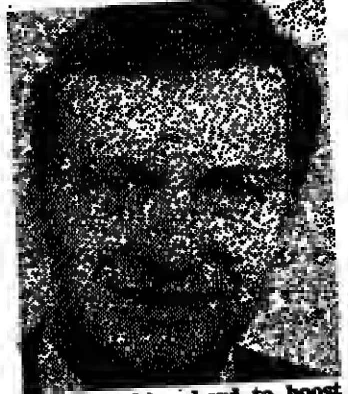
The change in legislation comes 30 years after the initial rules were passed in the Storting (parliament). They were provoked after it was discovered that Norwegian arms were finding their way to General Fulgencio Batista of Cuba and the Israelis.

The 1959 regulations effectively banned "export for military purposes to areas where there is a war or the threat of war, or to countries where there is a civil war." This legislation has been re-endorsed and updated, notably in 1967 and in January this year.

The new regulations would appear in theory at least to enable the government to uphold these principles. "Export applications for arms and military equipment are to be considered in view of the real recipient country, regardless of whether the export happens directly or through other countries."

Any joint arms venture is to be scrutinised by the Foreign Ministry and the burden of ensuring that the weaponry involved does not end up in a country which, under Norwegian law, is forbidden lies with the majority partner. But, it is asked, how can Oslo police or control companies outside its jurisdiction?

The defence industry however argues that existing regulations and practices have severely hampered a potentially important export. For a small Nato country, Norway has some notable areas of sophistication.



Holst: pushing hard to boost arms exports

Norway is capable of producing materiel ranging from, as Mr Johan Joergen Holst, the Defence Minister, puts it, "uniforms and sleeping bags to advanced electronic control and communications equipment as well as missiles and ammunition."

A measure of the effect of these restrictions is that, according to the Foreign Ministry, defence exports were worth only between NKr500m (£44.2m) and NKr 550m in 1987 and between NKr600m and NKr 650m the following year. These are minute amounts when compared with total exports which amounted to NKr 200bn and NKr 212bn in those two years.

Norway has co-operation agreements with Sweden, UK, France, West Germany, Spain, Australia, the US, Canada and Italy and favours companies in these countries in its drive to establish joint military ventures.

More specifically the new regulations coincide with Norway's desire to export or be involved in three particular projects – the Penguin Mark 3 air-to-surface missile (on the F-16 fighter); a novel concept of air-cushioned catamaran minesweeper; and short and medium range air-to-air missiles (known as Asraam and Amraam respectively).

Of the three projects on which Norway is pinning its export and joint venture hopes, only the Penguin Mark 3 is in operation with Norway's F-16s. But General Dynamics is interested in selling the F-16 with the Penguin as a single package.

South Korea, at odds with its northern neighbour and in the heart of potential regional conflict, is believed to be interested in acquiring the F-16/Penguin package.

The problem with the new regulations is that, while the Foreign Ministry may scrutinise the terms of such a contract, Norway has to make a choice between vetoing money-spinners or running the risk of a country or company with a majority holding in a joint venture selling Norwegian products to countries not fulfilling Norwegian qualifications.

It may no longer be possible to guarantee that the end-user still conforms to the terms of the original 1959 legislation. This conflict has already been taken up by Mr Theo Koritzinsky, a member of the small radical Socialist Left Party (SV) member of parliament, who intends to raise this issue when the Storting reassembles in September.

The Raufoss company, which developed the Penguin, is involved in a European project to produce the Asraam and this in turn will aggravate the end-user conundrum.

The novel concept for mine-hunters (with the possible further application for patrol boats) is a contract initially worth in the region of NKr2bn for ten vessels and it has yet to be decided whether a group in Mandal in the south or at Bergen in the west should be awarded it.

This, in itself, is another domestic political issue. But in broader terms, Norway is faced with the fundamental contradiction between its – until now restrictive – weapons sales regulations and the risk of missing out on gaining a foothold in certain sophisticated and lucrative areas.

It reflects a characteristic Norwegian national dilemma between trying to remain "clean" in a dirty market and wanting to cash in.

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UK NEWS

First results of three-year study into sales and service

Ford unveils dealership as part of 'retail revolution'

By John Griffiths

A £2m prototype car dealership embodying elements of UK market leader Ford's blueprint for a "retail revolution" in the 1990s was opened in Manchester yesterday by Quicks, the locally-based cars and trucks distribution group.

Ford also disclosed plans to open the first of a national network of "fast-fit" centres to challenge independent specialist chains like Mr Tom Farmer's Kwik-Fit Euro, which specialises in after sale car service.

The fast-fit venture will be opened at nearby Ashton-under-Lyne in September and will form part of the same "revolution" strategy.

The two projects will be the first visible results of Ford's three year study into developing what it sees as a radical plan to overhaul of its retail motor trade business.

The plan aims to achieve much higher standards of customer care than, Ford concedes, have traditionally been associated with the franchised motor trade.

It also aims at recapturing some of the valuable business in supplying parts and service to older cars, virtually all of which has been lost by the franchised trade to the independent chains and garage sectors.

According to Mr Roger Humm, managing director of Ford UK, the market in servicing cars more than three years old is worth £3bn a year in the UK.

Ford executives yesterday refused to disclose the name under which the fast-fit network will trade.

The Ashton centre, like the car dealership, unveiled in Old Trafford, will be owned and operated by Quicks, which is financing both projects itself.

Ford sees its financial role as funding the development of the strategy itself. This has included, for example, calling in design consultants Fitch and Co to draw up a new style of dealer premises. Dealers and dealer groups will then finance their own projects within the overall strategy.

Ford expects the strategy will be undertaken at first by 60-70 of Ford's 380 main UK dealers. Between them they are expected to invest more than £100m.

Details of the first Ford "fast fit" venture emerged almost simultaneously with an announcement by Opel and Vauxhall, General Motors' European car subsidiaries, that they are also launching a programme to recapture lost servicing business through a chain of "Masterfit" fast-fit service centres to be introduced across Europe over the next two to three years.

The GM programme, however, is less ambitious than Ford's in that the Masterfit centres will initially cater for only Opel and Vauxhall cars. Ford, by contrast, intends its network to service any make.

Both companies acknowledge that their moves to recapture lost service business are belated. Opel and Vauxhall say they have lost 50 per cent of all their servicing business to independents in Europe, and GM admits to having lost 80 per cent in the US.

Mr Alf Royle, the Quicks regional managing director in charge of the Old Trafford and Ashton ventures, nevertheless believes that a substantial share of the busines involved in the servicing of three- toseven-year-old cars can be recaptured.

With the new-style dealerships, Ford and Quicks, as the prototype operator, hope to eradicate the negative sides of buying a car and having it serviced which are most frequently mentioned by consumers.

Customers entering the Old Trafford showroom are met inside the main entrance by a woman, described by general manager Mr Ken Jee as a "greeter", who finds out what they need and finds them staff to help.

"There is also an 'Escape' door directly from this area so that anyone who wants can simply leave the showroom without any feeling of awkwardness or embarrassment", said Mr Gee.

The area is also equipped with a creche and toilet facilities.

A fleet of 14 courtesy cars is kept for customers having their own vehicles serviced. The dealership also has a separate handover staff to enable customers to take delivery of their vehicles and check that buyers are happy with their cars, both a day and six weeks after taking delivery.

Merit-based pay scheme for Glaxo scientists

By Peter Marsh

GLAXO, Britain's biggest pharmaceutical company, has introduced a new pay scheme for all its 2,800 UK-based research workers which is based entirely on linking remuneration to job performance.

The scheme, implemented in the past few weeks after months of talks, breaks new ground by attempting to evaluate scientists' work according to rigid job assessment criteria and linking this to pay.

Glaxo is among Britain's biggest private sector employers of scientists. The work of such people is generally agreed to present job assessment schemes with particular difficulties on the grounds that much of it is based on intuition and creativity and other factors which are not easy to quantify.

The 2,800 people covered by the scheme are UK employees of Glaxo Group Research, a Glaxo subsidiary which is responsible for research and development operations around the world.

Most of its employees are scientists although the scheme also includes secretaries and ancillary workers.

The performance criteria for the employees have been based on discussions with individual workers, each of whom has a "role specification" for his or her job against which performance is measured.

The criteria for evaluating performance have been worked out over the past year and based on advice from consultants. The performance grading has assessed employees according to factors such as innovatory skills, ability to supervise others and interest in team working.

Pay increases based on the scheme have been awarded and have ranged from zero to about 25 per cent of individual salaries.

Most of the scientists covered work at Glaxo's main UK research centres at Greenford, West London, and Ware in Hertfordshire and earn between £12,000 and £25,000.

Glaxo is the world's second biggest drugs company with sales last year of £2bn.

Bomb blasts London bookshop

By Joel Kibazo

A LONDON bookshop was badly damaged yesterday in an explosion thought to be connected to British author Salman Rushdie's controversial novel the Satanic Verses.

Police said a single "improvised device" placed outside Collet Booksellers in Charing Cross Road had exploded at about 3 am. No warning was given and no one had claimed responsibility for the explosion.

No one was injured, but police said the fire started by the blast caused "extensive damage."

Another of Collet's three stores, 100 yards from yesterday's blast, remains closed after it was also fire bombed in April.

A group called The Islamic Revolutionary Front claimed responsibility for that explosion four days later.

Both stores had stopped selling the Satanic Verses after staff voted that it should not be stocked, following worldwide Islamic protests that the book was blasphemous.

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UK NEWS

Sky TV says BSB seeking monopoly

By Raymond Snoddy

MR RUPERT Murdoch's Sky Television yesterday accused its rival British Satellite Broadcasting of trying to put it out of business because Sky was winning the satellite television battle.

Mr Andrew Neil, executive chairman of Sky, yesterday attacked a BSB memorandum on cross-media ownership which has been sent to British Government ministers.

The memorandum argued that it was irrational for the Government to exclude Astra satellite services such as Sky from rules designed to limit concentration of media ownership.

In addition to owning Sky Television, which broadcasts four channels, Mr Murdoch's News International owns five national newspapers.

Mr Neil said: "BSB has failed to launch its service on schedule or to set a convincing date when it will launch. Its technology is in trouble and its finances are floundering.

"So BSB, in desperation, is trying to change the law to put Sky out of business. Clearly it has concluded that the only chance it now has of success is if it can secure a monopoly of satellite TV in Britain."

If the Government were to implement the cross-media proposals of BSB, the shareholders of which include Pearson, publishers of the Financial Times, Mr Murdoch could either have to sell his national newspapers or take his stake in Sky down to 20 per cent.

Mr Neil argued yesterday that Sky used only four channels on an Astra system that would grow to 32 channels by next year and possibly 48 after that.

The Sky chairman conceded that there was a rationale for limiting the involvement of newspaper publishers in television when there were four or fewer television stations in operation.

"Satellite TV opens up the possibility of hundreds of new channels becoming available for television distribution. Artificial restrictions on entry to this market can only lead to a reduction of diversity," Mr Neil said.

Young stands firm behind proposals for brewers

By Christopher Parkes, Consumer Industries Editor

LORD YOUNG, the trade and industry secretary, stood firm last night behind his proposal that Britain's six top brewers should lease most of their pubs to tenants who would then be free to sell any brands of beer and spirits they chose.

At a meeting in London, the minister rejected claims that his "arm's-length" plan was unworkable, and asked senior executives from the national brewers to explain their objections.

Lord Young, who is believed to have discussed his stance with Mrs Margaret Thatcher, the Prime Minister, on Monday, has resisted concerted pressure from the beer industry and Conservative MPs to drop the proposal.

Industry dismissed the idea as "unnecessary, bizarre, unjust and unworkable" when it was put forward last month. This week senior Tories wrote to Mrs Thatcher saying the scheme was "the most appalling and unwarranted interference in the market place."

It would open the door for overseas brewers to move into the UK market, force pub closures, and offend the Conservative principle of owning private property and operating a business from it, they said.

"We seriously fear the political repercussions," the letter said. It was signed by 14 MPs including 10 members of the so-called 1922 Committee of backbenchers.

Lord Young remains convinced, however, that his plan is a sound and practicable alternative to the Monopolies Commission's main recommendation for breaking up the complex monopoly it found at work in the drinks industry.

The Commission suggested in March, after a 2½-year inquiry, that no brewer should be allowed to own more than 2,000 pubs. This implied that Bass, Allied-Lyons, Courage, Whitbread, Grand Metropolitan and Scottish and Newcastle would have to sell almost 22,000 outlets.

These six accounted for 75 per cent of UK beer production and 75 per cent of British pubs.

Other attempts at appeasing the brewing industry have included reassurances that many of the Monopolies Commission's recommendations applied only to the "Big Six."

Industry solidarity has been apparently unaffected, and most regional brewers share the national companies' outright opposition to most of the main suggestions.

However, the smaller brewers were not represented at last night's talks. The Brewers' Society, which speaks for the industry as a whole, was present only as an observer. Since the discussions concerned only the biggest beer companies, and matters of commercial confidentiality were expected to come up, it was thought best to exclude them.

Full study ordered into 'brain drain'

By David Thomas, Education Correspondent

THE GOVERNMENT has asked the universities to carry out a full study of the extent of the academic "brain drain" in an attempt to resolve one of the most controversial disputes in education.

Ministers and their critics disagree fiercely about the size of the flight of academics from Britain and about whether it poses a serious problem for UK universities.

The Government claimed in February that the brain drain was a myth, based on figures showing a net inflow of 360 academic staff into British universities from jobs or study overseas over the past eight years.

This argument has been countered by claims from within the universities that the problem is not one of numbers, but of the quality of the academics leaving UK universities for those overseas, particularly in the US.

Mr Robert Jackson, Higher Education Minister, has written to Sir Edward Parkes, chairman of the Committee of Vice-Chancellors and Principals, asking the committee to carry out a definitive study on the issue.

The committee is already committed to undertaking a study of recruitment and retention of dons in an attempt to back up its argument that academics need substantial pay rises.

"If there is a genuine problem, let's have some genuine statistics on it," Mr Jackson said.

● Mr Kenneth Baker, Education Secretary, yesterday confirmed to Parliament that publicly-funded annual student tuition fees will increase from £607 this year to £1,675 in 1990-91, a move which the Government believes will encourage colleges to enrol more students.

London SE capitalisation rises 35%

THE capitalisation of London's stock exchange increased by 35 per cent to £1,547bn in the year ending March 30, according to a publication issued by the exchange yesterday.

This includes overseas companies with a capitalisation of £1,080bn. US companies are the largest component, with a capitalisation of £580bn.

Japanese companies are rising fast, the number with a listing up during the year to 13 from nine and their capitalisation up to £245bn from £87bn.

The information lies in the exchange's Quality of Markets Companies Book which is being published for the first time giving details of 3,000 companies on the Official List, the Unlisted Securities Market (USM) and the Third Market. The exchange intends to publish the book annually.

Quality of Markets Companies Book. From Publications, the International Stock Exchange, 1 London Wall, London EC2Y 5HP. £35.

Water authorities report modest profit rises

By Richard Evans and Andrew Hill

THE 10 water authorities in England and Wales yesterday showed modest increases in turnover and operating profits in their last set of accounts before their privatisation.

The significance of the 1988-89 results as a guide to the investment attractions of the authorities is heavily qualified by the forthcoming restructuring of the authorities' balance sheets.

The Government has said it intends to write off debt from many of the authorities and to add debt to others.

In addition, the crucial formula based on the retail prices index plus a factor to be known as K, on which companies will base future charges, is still in negotiation.

The individual formula for all 10 authorities and for the 29 statutory water companies will not be known for another three or four weeks.

It is only when all these sums have been completed and an indication given of the proposals for completing capital spending programmes that a proper judgment can be made of the investment merits of the authorities.

The results for the year to March 31, 1989, showed operating profit up 3.6 per cent to £1.16bn but the figures were distorted by rate refunds added to the comparative 1987-88 figures following a Court of Appeal judgment. If all exceptional items are stripped out, profits rose by just over 9 per cent to £1.2bn.

The figures were the first under new accounting procedures. The cost of maintaining the industry's pipes, sewers and reservoirs is now charged direct to the profit-and-loss account. Such costs used to be added to the value of assets on the balance sheet.

All 10 water authority chairmen expressed confidence at a London press conference in the success of the flotation, which is due in mid-November, in spite of high opposition to water privatisation in opinion polls. They criticised "malicious and frivolous" attacks on the industry.

Mr Gordon Jones, chairman of the Water Authorities Association, said the industry had felt it right to mount its "awareness" campaign at a cost of £9m in the last financial year, not to promote privatisation but to reassure customers on the quality of drinking water and protection of the environment.

His comments followed accusations from the opposition Labour Party that public money was being misused on a "horrendous" scale to promote privatisation.

Water industry analysts in the City of London played down the significance of the figures, saying historic results were less relevant than crucial figures which should be revealed nearer flotation.

Thatcher warns rail workers over jobs as dispute intensifies

By Philip Stephens and Fiona Thompson

BRITAIN'S rail dispute intensified yesterday with the Prime Minister warning that strike action threatened rail workers' jobs as the Aslef train drivers' union announced overwhelming backing for an overtime ban.

The drivers' action will take effect from midnight on Sunday, causing severe disruption, especially on the Southern region, in addition to that already being caused by the weekly 24-hour strikes by the National Union of Railwaymen.

The escalation of action brought further sharp condemnation of the unions from Mrs Margaret Thatcher although with a clear signal that the Government is not prepared to intervene directly to try to settle the dispute.

Amid angry exchanges in the House of Commons, the Prime Minister said the striking workers would "lose their jobs if they go on like this," because the disruption would drive passengers and freight off the railways.

She faced fierce criticism, however, from Mr Neil Kinnock, the opposition Labour leader, who called on the Government to play a constructive role in settling the dispute and to stop making inflammatory attacks on the unions.

Mr Kinnock seized on comments made earlier in the week by Mr Nigel Lawson, the Chancellor, suggesting that the Government might scale back its investment in the industry. He said the remark would not help to resolve the dispute, while lower investment would result in an even worse service for commuters already suffering from dirty and delayed trains because of low investment levels.

Labour leaders believe that, far from profiting from its hard-line position in the dispute, the Government's stance is being seen as intransigent by a growing number of people affected by the strikes.

Mr Lawson's comments won public support from other ministers yesterday after a discussion of the dispute at the weekly cabinet meeting.

Some Tory MPs were privately disquieted, however, that the comments appeared to undermine the Government's case that it is not directly involved in the dispute.

Mr Jimmy Knapp, NUR general secretary, yesterday set out his union's position in a lengthy letter to all MPs, stressing that the NUR was "eager to enter into practical, concrete negotiations to secure a settlement at the earliest opportunity." NUR members are striking over BR's 7 per cent imposed pay offer and proposals to scrap national collective bargaining.

Aslef's 17,500 train drivers voted by 12,637 to 1,702 for the ban on overtime and rest day working in the ballot over pay. Both Aslef and the NUR have refused to attend hearings by the Railway Staff National Tribunal, the industry's final appeals body, which is this week debating the merits of the pay deal following an appeal by the white collar TSSA rail union.

Mr Neil Milligan, Aslef general secretary, said he expected the industrial action to "knock out" up to 500 trains a day.

British Rail said it was "astonished" by Aslef's decision. "Trade unions with their members' interest at heart and a ballot majority in favour of industrial action normally put the result in their back pocket and demand to know what the employer proposes to do about it.

"Instead, Aslef intends to highjack London commuters and disrupt services in other parts of the country."

"We are not going to offer any more on the basic rate, but that does not mean to say that if they came and talked to us the talks would be unproductive. We are always glad to talk."

Car sales jump 8% to record

By Kevin Done, Motor Industry Correspondent

NEW CAR sales jumped by 8.29 per cent in the first half of the year to a record 1,196,403 according to figures released yesterday by the Society of Mntor Manufacturers and Traders.

New car demand is still to show any marked reaction to the big jump in interest rates, as car makers attempt to cushion the impact through an array of low-cost finance packages, including zero rate finance on some models.

Mr George Simpson, Rover Gronp managing directnr, warned yesterday that the industry's profitability was being hit by the intense level of present marketing activities.

Rover Group itself has suffered a sharp decline in its market share this year to only 13.75 per cent in the first six months from 15.09 per cent in that period a year ago.

Its sales volume has fallen by 1.3 per cent to 164,487 despite the 8.3 per cent jump in the overall market and it has been ousted from second place by Vauxhall, the UK subsidiary of General Motors of the US.

Overall, new car sales in June increased by 3.52 per cent to 174,667 compared with 168,731 in the corresponding month last year.

Demand for new cars continues to defy car makers' forecasts of an imminent downturn in sales, and the industry now expects the high level of demand to continue into August — the biggest month for car sales in the UK accounting for more than a fifth of total annual sales.

June was the first time this year that monthly sales failed to reach a record level, however, falling below the 200,172 achieved in June 1979.

The share of imported cars in the UK market fell in June to 55.17 per cent from 56.63 per cent a year ago, but for the first six months imported cars still captured a 55.74 per cent share compared with 54.94 per cent a year earlier.

Ford, the UK market leader, has regained some ground last year and has increased its share in the first six months to 27.31 per cent from 26.94 per cent a year ago. It holds the three top places in the best-seller league with its Escort, Sierra and Fiesta models.

Green issues 'set to top summit agenda'

By Peter Norman, Economics Correspondent

THE UK Government expects environmental issues to top the agenda of next week's world economic summit in Paris. It will be anxious to promote the use of economic instruments such as charges and tax differentiation to reduce environmental damage.

According to government officials, use of the pricing system rather than controls is the best way to encourage people to act in an environmentally friendly manner. It is expected that Mrs Margaret Thatcher, the Prime Minister, will point to the success of last March's UK budget changes in encouraging motorists to use unleaded petrol.

This "economic approach" to environmental issues is expected to run through the talks on the environment among the leaders of the US, Japan, West Germany, France, Italy, Britain and Canada. The three-day summit begins next Friday.

However, the summit is not expected to launch specific environmental initiatives. The expectation in London is that the seven leaders will give political backing to existing work in the international sphere, possibly discussing cooperation over an international climatic convention to tackle global warming.

Although there is likely to be a good deal of mutual backslapping at the continuation of economic growth in the industrialised world, the meeting is expected to be rather low key as far as Britain is concerned.

The UK will seek a reaffirmation of the market-oriented policies that have promoted growth over the past decade.

With its own inflation running at an annual 8.3 per cent, Britain is anxious to emphasise the international nature of inflationary pressures and the need for the seven to agree policies to contain rising prices.

UK officials say Britain wants support for the Uruguay Round of trade liberalisation talks and backing for the multilateral trading system in the face of bilateralism such as the recent US decision to name Japan, India and Brazil "unfair traders" under provisions of last year's US trade bill.

The UK will also support endorsement by the summit of debt reduction for middle-income debtor nations in the context of the strengthened debt strategy launched this year by Mr Nicholas Brady, the US Treasury Secretary.

In Brief

Harland offers job contracts, sheds 300

ABOUT 2,400 employees at Harland and Wolff, the Belfast shipbuilders, will be offered jobs in the company, which is to be privatised in a management buy-out by September, writes Our Belfast Correspondent.

The company closes for a three week annual summer holiday today and employees have until July 31 to decide on the offer. It was unclear how many would accept the new terms and conditions, which have been strongly attacked by trade union officials who have advised workers not to sign new contracts.

A further 380 jobs will be lost bringing redundancies to 1,350 since last August.

Dock strike vote

The Transport and General Workers' Union is today expected to announce a national docks strike to begin on Monday even though a growing number of dock workers were said to be applying for redundancy under the Government's compensation programme.

As voting ended in a ballot of 9,400 registered dockers yesterday, reports from district officials and shop stewards indicated solid support for the strike in several leading British ports with an expected vote in favour of at least 60 per cent.

BBC peace hope

Renewed talks over the BBC pay row moved closer after the corporation was told that the Beta staff union was willing to discuss a new offer by Mr Michael Checkland, BBC director-general.

Green initiative

Mr Tony Cleaver, chief executive of IBM UK, is to chair an initiative called Business in the Environment to encourage private sector interest in "green" issues and set up partnerships with environmental pressure groups. He will be suppnrted by Sir Ian MacLaurin, chairman of Tesco, and Mr Robin Paul, managing director of Albright and Wilson.

Advert challenge

Rulings made by the Advertising Standards Authority, the advertising watchdog, can be challenged through the judicial review procedure, under which the court can strike down a decision if it has not been arrived at in a fair and reasonable manner, the High Court decided.

Holiday price rise

Package holidays could rise by an average £20 next year to cover the costs of an improved service from tour operators after implementation of a new Association of British Travel Agents code of conduct.

LSE director named

Professor John Ashworth, vice-chancellor of Salford University, was named as the next director of the London School of Economics. Professor Ashworth, aged 50, he has attracted attention to Salford since he became its vice-chancellor in 1981 by forging close links between the technological university and industry.

Land Rover to launch new vehicle

LAND ROVER is to launch its first all-new vehicle for 19 years in the autumn, to be named the Discovery, in the first step of a crucial product nffensive by Rover Group, writes Kevin Done.

It will be followed by the launch of Rover's 200/400 series, codenamed the R8, which has been developed jointly with Honda of Japan, and which will be powered by Rover's new K-Series 1.4 litre engine.

The company is also abandoning the Austin Rover name for its car operations in the autumn, to become simply Rover Cars.

The Discovery will be shown publicly for the first time at the Frankfurt Motor Show in September and will go on sale in the UK at the end of the year.

Land Rover is enjoying a powerful resurgence in its fortunes led by booming sales of its Range Rover in the luxury segment of the world four-wheel drive market.

The company's offensive is expected to be broadened further in the autumn, with the launch of the Range Rover into the intensely competitive Japanese car market.

Sales of the Range Rover in the US, where it was launched in March 1987, have surged this year with an increase of 52 per cent in the first six months to 2,400.

The success of the Range Rover in the US is in sharp cnntrast to the failure of Rover's Sterling executive car, which was also launched in the US in early 1987. Sales of the Sterling in the first five months of 1989 dropped by 34 per cent to 2,788.

THE PROPERTY MARKET

Shadow behind spree

By Paul Cheeseright

Consumer spending still rising, shopping centres opening up all over the country and plenty more to come: it does not look like a time of restraint. Yet changes have been taking place in the retail property market and there is a good deal of nervousness in the air.

Official statistics released this week show that, after a flat few months, consumer spending has started to rise again. In the three months to May, sales were 4 per cent higher than in the same period of 1988. The increase in May alone was the biggest monthly rise for more than two years.

The basic factor underpinning the strong rental growth in the retail property market and the resumption of a heavy development programme is clearly still at work. Yet the figures of retailers show that the fizz has gone out of the spending spree. Certainly retailers are not chasing space for expansion with the same enthusiasm as 18 months ago.

Against the background of sagging confidence there are changes in the financial climate for investment and development.

The first point is that investment interest has waned. Clive Lewis, in its midsummer retail report, talked about "the investors' desertion of the High Street," and considered it overdone.

Mike Marshall of Hillier Parker recalled that in 10 years of funding shopping centres he had never seen a quicker departure from the market than that made by the institutions since last Christmas.

The reason for the departure is twofold, in Mr Marshall's view. First, 1988 saw very heavy investment or commitment from institutions like Friends Provident, Norwich Union, Postel and Standard Life and this year looks like a breathing space. Second, after a long upward swing in the market, it looks as if a period of rather less exciting rental growth could be starting.

At any rate there are only about half a dozen funds left in the market and they are able to be very choosy about their investment. It is important in terms of ultimate purchase: the long term view of the life funds gives them an ability to absorb the low yields. Few others have such a facility.

For development finance the presence of the funds is less important. There are, after all, other ways of raising money. That said, a recent survey of banks by Debenham Tewson & Chinnocks found an ambivalent attitude towards retail property.

"Opinions for and against new lending were fairly evenly divided," Debenham Tewson concluded. "Future lending appears focused on large shopping facilities again, but given current Government efforts to reduce consumer demand, individual projects will need to be closely scrutinised, according to some bankers." They worry about the same factors as the investing funds.

Further, noted Clive Lewis, "many funds are continuing to dispose of their older centres where rental growth has slowed, in some cases almost to a halt, because multiple retailers, trading from substandard units relative to modern retailing requirements, are assigning to secondary covenants."

This, of course provides redevelopment and refurbishment opportunities for the property companies and they have sought them with some enthusiasm. There seems to be plenty of scope.

But there is also a significant number of new shopping centres opening over the next two years. Hillier Parker is forecasting that 13.3m sq ft of space will open this year and 19.8m sq ft in 1990.

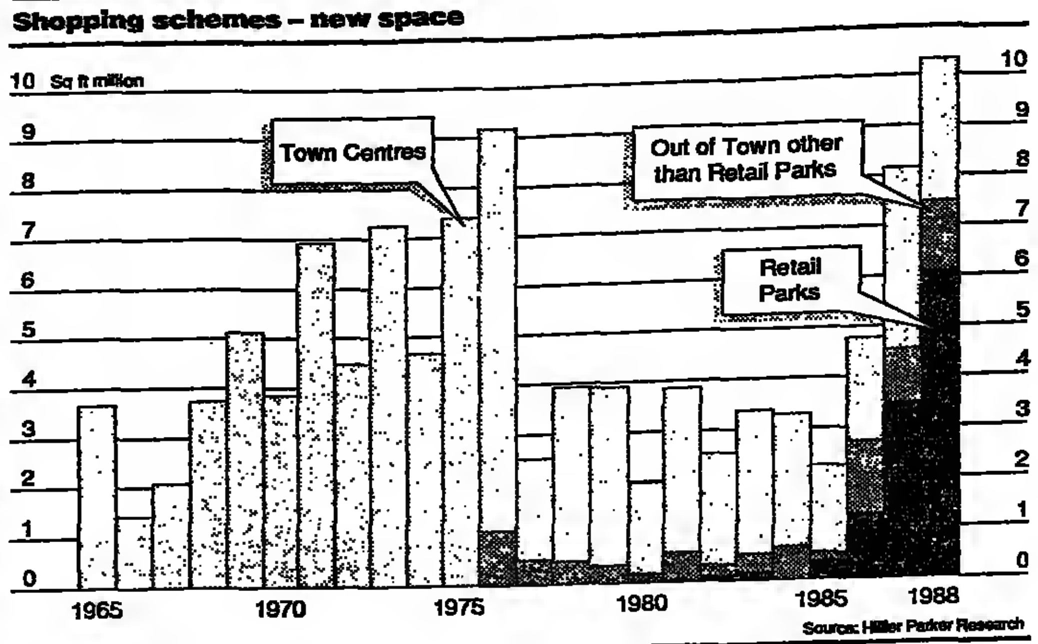
This is the result of the development surge which has takeo place in response not only to higher consumer spending bnt also to the demand for more out-of-town shopping facilities.

Althougb some retailers wonder who will take all this space, historically the retail property market has been a remarkably consistent performer. Peter Hunt, chairman of Land Securities, has noted that it is the recent growth which has been abnormal; normal growth is somewhera between 8 and 15 per cent a year.

Investment Property Databank figures show that rental growth for retail property broke through 15 per cent on an annual basis during the year to May 1988, topped 20 per cent in the year to January 1989 and has since fallen back.

For investors, property companies or otherwise, prime retail property has been a consistently sound investmeot and in recent years this has been where the institutions have favoured putting their money.

What is not clear is whether changes in the marketplace now are a blip or the start of a more significant trend.



SOME OF the heady projections developers and landlords might have been making about rents in new shopping schemes may have to be adjusted. That, at least, is how it looks to the expanding retailer — and there are still some of them about.

"If landlords want to fill their schemes they're going to have to be less bullish about the rents they're asking," warned Ron Delnevo, property and franchise director at Tie Rack.

This year Tie Rack, which needs only small shop units — on average 300 sq ft — for its ties and scarves, expects to open 25 shops in the UK, to bring the total up to 150.

Expansion has been constrained more by a lack of sites than a downturn in consumer spending, Mr Delnevo said, acknowledging that with "a low average ticket, we're not so sensitive as the shops with household goods or suits."

He charged the estate agents with talking the market up but made clear that, from Tie Rack's experience, it is softening. "The time has gone for chasing sites. Eventually you get what you're looking for."

Landlords are not taking the highest rent as they might have done 18 months ago. Rather, they are prepared to accept less from new tenants if they can have a strong covenant.

The most obvious indication of the softening in the market, according to Mr Delnevo, is the fall in premiums for taking over existing leases. "Six months ago people were talking in telephone numbers". Now the demands are much more modest. The fall was first noted in London but has spread outwards.

In some districts of London's West End where there are high concentrations of speciality shops, existing tenants have been paying others to take on their leases.

This state of affairs would affect Tie Rack only as far as its expansion is concerned. But because it is a young company, most of whose shops have been taken on in the last three years, the relative increase in rents it will face on reviews will be less than for those shops whose rents are being reviewed now.

The latter are facing not only a catch-up on five years of rental growth, but also increased charges because of the imposition of the uniform business rate, against a background of attempts to restrain consumer spending. Small wonder that premiums have been falling.

Yet, as the accompanying article showed, more shopping centres are being opened.

Rental value growth (%)

	Retail	Office	Industrial	All Property
Year to Dec 88	19.9	27.9	22.2	23.9
Year to May 89	17.2	24.2	24.8	21.4
Monthly rate — May 89	0.7	1.7	1.2	1.2

Source: Investment Property Databank

Personnel policies

When managers have to earn the respect of subordinates

Michael Skapinker explains how the UK insurance group keeps in touch with its staff

The title of manager does not guarantee anyone automatic respect, Allied Dunbar, the UK insurance and financial services group, tells its staff. Respect is something that managers have to earn.

"Our people won't see us as good leaders just because we carry a title. We have to prove it by our actions," the company says in its Policies for Management.

The Policies were written in the early 1980s, along with a shorter text called the Allied Dunbar Approach. The documents are part of a sustained attempt by the company to increase management effectiveness and encourage communication with employees.

The company also asks employees to assess their superiors, allows staff to make complaints anonymously, and carries out internal opinion polls.

Some organisations doubt the usefulness of publishing mission statements and the like. But Sandy Leitch, Allied Dunbar's managing director, says his company thought it had become essential to write down its values.

When Sir Mark Weinberg founded Hambro Life in 1971 it had a salaried and sales staff of just over 200. Today, the company – which changed its name to Allied Dunbar when it was acquired by BAT Industries in 1985 – has 3,000 salaried staff and 5,000 sales associates.

Peter Stemp, the personnel director, says that as the company grew it became clear that some of the new employees were insufficiently aware of Allied Dunbar's traditions. Different styles of management had begun to emerge. The company decided that it needed to come up with a formal statement of its values and make them known to its managers and staff.

"In the 1970s we were small enough to do things informally," Sandy Leitch says. "We'd been able to achieve things in an unstructured way. As a company gains in size I think you've got to formalise things. That's not bureaucracy. It's just that as you grow you've got to make sure you've got the right skills in place."

Before trying to write down its values, the company looked at what other organisations had done. Very few had attempted to define what they stood for. Leitch can remember only two which had: Hewlett-Packard and Mars.

Allied Dunbar spent 18 months deciding what values it wanted to impress upon its employees. The Allied Dunbar Approach and the more detailed Policies for Management cover such issues as customer service, recruitment, profit-sharing, community involvement and communication.

Sandy Leitch (left) and Peter Stemp: decided that the company needed to come up with a formal statment of its values

The Allied Dunbar Approach says that all employees enter into an informal agreement when they join the company. "You won't find detailed rules and regulations to cover this informal contract. It is a matter of trust," the document says. "Each one of us undertakes to work to the best of our abilities. In return, the company will do its best for us by looking after our interests and well-being. This means high pay, good benefits and excellent working conditions.

"Each of us can expect to be told where we stand, how we are doing and to be kept well-informed about matters affecting us." The document adds, too, that "we encourage informality and everyone is on first-name terms."

The company says its policy on employee communication is to "build a structure which is two-way, enabling the group to benefit from listening to all its people. It is easy to fall into the trap of believing communication is about telling someone something. Listening is as important as speaking."

The company holds monthly team briefings. Any team briefer who is asked a question by a member of his or her team is required to find out the answer and pass it on to the person who asked it.

Paul Lewis, a junior manager and a team briefer, believes that a reliable feedback mechanism is only one component of a successful briefing. If managers are to maintain enthusiasm for team briefings, they should do more than just pass on corporate information. They should also discuss matters which affect the team's day-to-day work and office environment, *he says.*

"People are interested in what's going on from a corporate point of view. But what keeps the thing interesting is adding 'local news' onto it," he says.

To help managers assess their own progress, Allied Dunbar encourages them to get their subordinates to evaluate them through a Management Effectiveness Questionnaire. The questionnaire is completed by the manager's subordinates, his superior, and the manager himself.

Andrew Stacey, assistant director of unit trust administration, went through the process in May. His subordinates told him that he was a better delegator *than* he thought. The bad news was that he was a less caring manager than he thought.

The five subordinates who answered Stacey's questionnaire did not think he was completely uncaring. They had given him a high rating for looking after them. What bothered Stacey, however, was that he had given himself an even higher score, as had his superior.

"When I spoke to the team the major point that came out was that because we were going through large organisational changes in unit trusts, things had been *fairly frantic*," he says. "The major lesson was that I needed to spend more time on communication.

"On the delegation issue, I thought I was getting too involved in the detail. But they didn't think it was a problem. I was pleased with that result."

Maggie Gill, a middle manager in the department which services life policies, says that all the managers in her section ask their subordinates to evaluate them every year. "When we get the results, we go through them and form action plans to address them. Then we go back to the people who completed the questionnaire and say 'this is what we have found and this is what we intend to do about it'. I believe it encourages open management," she says.

Peter Stemp says the company believes all its managers should go through the questionnaire process every two years or so. It is not compulsory, however. "It is an attempt to get management to focus on their development needs. We want people to identify the components of management and develop themselves," he says. About 80 per cent of the group's managers have done the Management Effectiveness Questionnaire.

As a company, Allied Dunbar also tries to find out what its employees think of it. In 1982 and in 1987 the company asked an organisation called International Survey Research to conduct a detailed poll of its staff. The 1987 survey had a response rate of 83 per cent of the salaried staff.

The survey revealed that 93 per cent of the employees thought that Allied Dunbar was a friendly place at which to work. Eighty-six per cent of employees thought that Allied Dunbar was well managed and 84 per cent thought that top management was generally respected by the staff. Seventy-four per cent thought their own department was well managed and 73 per cent thought that they personally were well-managed.

A total of 70 per cent thought that their department managers were doing a good job of keeping in touch with them. Only 48 per cent, however, thought that top management was doing a good job of keeping in touch with them.

Despite the effort that the company had put into two-way commnnication, 41 per cent said they did not feel free to speak their minds without it being held against them. This was 10 per cent higher than in the *previous survey.*

"If you're going to do an attitude survey, it builds np the expectation that you're going to do something about the things you find," Leitch says. The problem was that the employees' feeling that they could not speak out was a puzzle to managers like Peter Stemp.

"Ours is a very positive culture and I think people might be reluctant to say anything which makes them sound negative," be says. "There is an attitude here that if you're not with us you're against us."

To encourage employees to speak out without fear of retribution, Allied Dunbar began a new scheme last November called Your Write. Under the scheme, which is designed to supplement existing channels of communication, employees fill in a form asking a question, expressing an opinion or offering criticism on any topic related to the company. They send the forms to the employee communications department, which in turn passes them on to the director or senior manager best able to respond. Replies are guaranteed within 10 working days.

Those sending in the *forms* are required to give their names to the employee communications department, but they can ask for their comments to be sent on to the senior manager anonymously. Their form is then re-typed to avoid handwriting recognition. If those writing in prefer it, the reply can be sent to their home address.

With the reply comes another form asking the employee whether they think their complaint or query has been adequately dealt with.

Since the start of tbe scheme, Your Writes have been coming in at a rate of eight a week. Only a few employees have requested anonymity. The most common issue raised has been parking, followed by topics like smoking and child care.

The average time to respond to the letters has been five working days. Fifty-five per cent of those who have written in say they regard the Your Write programme as very effective as a means of addressing their concerns, while an additional 38 per cent thought it was fairly effective.

While results like these would be gratifying to most managers, Stemp is a little disappointed at the small number of employees who asked questions relating to Allied Dunbar's business.

The company is now drawing up a new mission statement called Vision 2000, a declaration of where it wants to be at the turn of the century. "I *think that* a *mission has* got to be stretching, it's got to take your breath away," Leitch says. Tbe first draft, whicb includes the promise that "we will be a major force in Europe," is seen as being capable of some improvement.

"What you see is an evolutionary process from the informality of the 1970s to the formality of the 1980s to a company in the 21st century that's going to be very large and needs principles that will bind everyone together," Leitch says.

Why production departments must still have a say

The market-led mentality may have swung too far, says **Michael Dixon**

To call a company "prodnction-oriented" nowadays is akin to saying it sides with the Devil. The idea that organisations should be *market*-led has become a moral imperative. Even if the truth still fits the dictum that customers can choose any colour provided it is black, managements jib at admitting as mucb to themselves let alone to outsiders.

The renunciation of supplier-*centred attitudes*, which in the West owes mnch to the shock of competition from Japan, was no doubt needed. But there are signs that some western managements have let the swing to a market-led mentality carry them too far.

Take, for instance, the 10 UK factories spanning a wide range of industries recently studied by Professor Brian Houlden and Dr David Woodcock, respectively of the Warwick and the Nottingham University management schools.

Their report in the latest Sundridge Park Management *Review states* that six of the plants were headed for a breakdown in production at least in the long term, and that only one was improving its performance enough to maintain a competitive edge.

The prime reason for the problems was evidently that the *production* departments had ceased to have a say in the strategic decisions made by top management. As a result, the two researchers say, "we found a tendency for marketing to demand commitments from manufacturing which were not economically or technically practical." *For example*, in *one* company where the board had been persuaded by buoyant demand forecasts to install new plant dedicated to a specific product, sales were 65 per cent below expectations and the new equipment could not make anything else.

"Too often production managers were so busy with today's task that they failed to recognise (or explain to others) the *consequences* of tomorrow's tasks. They simply tried to respond to reqnests even when they knew from experience that they had little hope of *accomplishing them*."

Often the production managers had lost not just their voice on strategic issues, hut also their status as the mainspring of improvements in manufacturing. They tended to be viewed by their superiors as there to keep day-to-day control of the existing plant. Improving it was seen as a job for specialists, which could be done only by making large-scale changes when external forces necessitated them.

That view of improvements contrasts sharply with the attitude of Japanese companies. They *typically expect* production managers continuously to improve their plant by small steps as well as to control its operations. "In one UK firm it was estimated that set-up times had increased by 230 per cent since the 1950s, while their Japanese counterparts had reduced them by 95 per cent," the researchers report. "Such differences tend to come from hard work and analysis on the shop floor, rather than investment in equipment."

Houlden and Woodcock conclude that western chief execntives need to raise production management to a *strategic* role in the company. The managers concerned should be recognised as responsible for enhancing their workers' skills and plant's capability, as well as for running it. Moreover they should be given a stronger voice in top-level decisions.

"We're not saying company leaders should pay less attention to marketing managers coming up with ideas for new *growth and product possibilities*," the professor explains. "It's just that heed also needs to be given to production managers' views on what such ideas mean for them.

"They probably won't be as skilled as marketing people at communicating. They often had difficulty in explaining the prodnction point-of-view at board-level – perhaps because they've not had mnch practice. *But even if they're tongue-tied*, it's crucial for top executives to make sure that they've not only heard, but understood."

LEGAL NOTICES

IN THE MATTER OF ELLIS CONSTRUCTION (SOUTHERN) LIMITED AND IN THE MATTER OF THE INSOLVENCY ACT 1986

Notice is hereby given that the creditors of the above-named Company, which is being voluntarily wound up, are required, on or before the 4th day of August 1989 to send in their full Christian and surnames, their addresses and descriptions, full particulars of their debts or claims, and the names and addresses of their Solicitors (if any), to the undersigned COLIN GEORGE WISEMAN of 1 Wardrobe Place, Carter Lane, London EC4V 5AJ the Liquidator of the said Company, and, if so required by notice in writing from the said Liquidator, are, personally or by their Solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

DATED this 29th day of June 1989

C.G. Wiseman
Liquidator.

NO 002505 OF 1989 IN THE HIGH COURT OF JUSTICE CHANCERY DIVISION IN THE MATTER OF GOODLANDS HOLDINGS LIMITED AND IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the order of the High Court of Justice (Chancery Division) dated the 12th day of June 1989 confirming the cancellation of the Share Premium Account of the above-named Company was registered by the Registrar of Companies on the 21st day of June 1989

Dated this 30th day of June 1989

Veale Wasbrough
14 Orchard Street
Bristol
BS1 5ER

Ref: NRMC

Solicitors for the above-named Company

COMPANY NOTICES

NOTICE TO HOLDERS OF WARRANTS OF HANKYU CORPORATION

3⅜ PER CENT. GUARANTEED BONDS 1991 WITH WARRANTS ("1986 WARRANT") AND 4⅝ PER CENT. BONDS 1992 WITH WARRANTS ("1988 WARRANT")

Pursuant to Clause 3 and 4 of the Instruments dated 13th November, 1986, and 21st September, 1988, the following notice is hereby given

At the meeting of the Board of Directors of Hankyu Corporation (the "Company") held on 25th May, 1989, a resolution was adopted for the issue of new shares by way of free distribution, particulars of which are given below. Consequently the Subscription Prices of the captioned Warrants shall be adjusted, as specifically provided in paragraph 3 below.

1. The free distribution of new shares will be made to shareholders of record on of 31st July 1989, Japan time, at a ratio of 0.03 for each one share held.
2. The free distribution shall be made on 14th September, 1989, but the dividends for these new shares will accrue as from 1st April, 1989, Japan time.
3. Pursuant to condition 7 of the Warrants of both issues, the Subscription Prices will be adjusted:

(1) 1986 WARRANT

Before adjustment	Yen 505.80
After adjustment	Yen 491.10

(2) 1988 WARRANT

Before adjustment	Yen 798.00
After adjustment	Yen 774.80

The new Subscription Prices will become effective on 1st August, 1989, which is immediately after the record date.

Dated: 7th July, 1989

THE SANWA BANK, LIMITED
as the Principal Paying Agent
for 1986 Warrant

THE SUMITOMO BANK, LIMITED
as the Principal Paying Agent
for 1988 Warrant

COMPANY NOTICES

MMC INVITES EVIDENCE FOR INQUIRY INTO CINEMA ADVERTISING SERVICES

The Monopolies and Mergers Commission which is investigating cinema advertising services supplied by Rank Screen Advertising and Pearl and Dean – would like to hear from any person or organisation with views on the matter.

Among the matters the MMC will consider are RSA's share of the market, its provision of advertising for Odeon Cinemas, its contract with Cannon Cinemas and Rank Organisation's involvement in cinema advertising and film distribution.

The Commission would like evidence in writing as soon as possible, but not later than 21 July sent to: The Reference Secretary (Cinema Advertising Inquiry), Monopolies and Mergers Commission, New Court, 48 Carey Street, London WC2A 2JT.

MMC INVITES EVIDENCE ON COATS VIYELLA'S PROPOSED ACQUISITION OF THE TOOTAL GROUP

The Monopolies and Mergers Commission would like to hear from any person or organisation with views on Coats Viyella's acquisition of 29.9 per cent of the Tootal Group plc and its proposed acquisition of the remaining 70.1 per cent.

The Commission will be studying the possible effects of the mergers in the UK textiles industry and will be *examining* in particular the supply of industrial and domestic sewing thread.

The Commission would like evidence in writing by Wednesday 19 July to be sent to: The Reference Secretary (Coats Viyella/Tootal Inquiry), Monopolies and Mergers Commission, New Court, 48 Carey Street, London WC2A 2JT.

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS PIONEER ELECTRONIC CORPORATION

We are pleased to announce that copies of the Pioneer Financial Report and the 43rd Business Report, for the transitional, six-month period ended 31st March, 1989, are now available to EDR Holders upon application to The Bank of Tokyo, Ltd., 20/24, Moorgate, London, EC2R 6DH, and the Agent, The Bank of Tokyo (Luxembourg) S.A., 22/24, Boulevard Royal, Luxembourg.

Bank of Tokyo International Limited
(London Depositary)
7th July, 1989

TAISHO MARINE & FIRE INSURANCE COMPANY LTD NOTICE TO E.D.R. HOLDERS (ONE DEPOSITARY SHARE COMPRISING 10 ORDINARY SHARES OF YEN 50 EACH)

Hambros Bank Limited announces that Coupon No: 21 representing the dividend on the underlying shares for the year ended 31st March 1989 is payable as from 7th July 1989 at the rate of US$0.49 per Depositary share less Japanese taxes as applicable and may be presented for payment at their Stock Counter, 41 Tower Hill, London EC3N 4HA or at Kredietbank S.A. Luxembourgeoise, 43 Boulevard Royal Luxembourg.

Coupons presented to Hambros Bank Limited must be listed on the special listing forms, which may be obtained at their Stock Counter and when applicable U.K. income tax will be deducted at the rate of £0.10 in the £ on the gross amount of the dividend before deduction of Japanese withholding tax.

Hambros Bank Limited
7th July 1989

ART GALLERIES

FT LAW REPORTS

Rollover relief is based on full ownership period

RICHART (HM INSPECTOR OF TAXES) v J LYONS & CO LTD

Court of Appeal (Lord Justice Dillon, Lord Justice Butler-Sloss and Sir George Waller): June 29 1989

ROLLOVER TAX relief on *chargeable capital gains* made on disposal of assets used for trade purposes during only part of the ownership period, is calculated on the basis of an apportionment of consideration; and although the gain is only chargeable insofar as it accrued after April 6 1965 when capital gains tax was introduced, apportionment is made by having regard to the time and extent of trade and non-trade use of the asset, not merely from that date, but throughout the entire period of ownership.

The Court of Appeal so held when allowing an appeal by the taxpayer, J Lyons & Co Ltd, from Mr Justice Millett's decision that apportionment of chargeable and non-chargeable gain for rollover tax relief purposes was to be calculated as though the gain *began* on *April 6 1965*, and not before.

LORD JUSTICE DILLON said that four properties were acquired by Lyons well before April 6 1965 when capital gains tax was introduced. They were used by Lyons for the purpose of its trade until after April 6 1965.

Each property, after it ceased to be used for trade purposes, was then let for several years, and was disposed of in 1979 or 1980.

Section 33(1) of the Finance Act 1965 (now section 115 of the Capital Gains Tax Act 1979) provided for rollover tax relief where the consideration for disposal of old assets used for trade purposes "throughout the period of ownership" was applied in acquiring new assets for trade purposes.

The subsection was not directly applicable in the present case because the old assets, the four properties, were not used for the purposes of trade throughout the period of ownership.

Section 33(8) provided that if the old assets were not used for the trade throughout the period of ownership, the section should apply as though part of the asset was a separate asset wholly used for trade purpose. That part represented its use for trade purposes "having regard to the time and extent" to which it was so used.

The subsection was to apply in relation to that part "*subject* to any necessary apportionment of consideration . . . "

The effect of section 33 was to reduce the amount of the acquisition consideration by the gain realised on the disposal, so that the tax on that gain was rolled ovar or deferred until the new assets were disposed of (when it might be deferred again).

There was, however, an important qualification. The reduction was the amount of the chargeable gain, not the whole gain (see Schedule 13 paragraph 2 1967 Act).

The point of that was that Part II of Schedule 8 to the 1965 Act, which was concerned with assets already held on April 6 1965, was designed to ensure that the gain realised on subsequent disposal was only chargeable to capital gains tax insofar as it was to be treated as having accrued over the period beginning April 6 1965 and ending with disposal.

The Crown relied on two arguments. Mr Justice Millett accepted its broader argument, but rejected the narrower argument.

The broader argument applied to all four properties. It was founded on the proposition that as the extent of the rollover relief available after disposal of an asset held on April 6 1965 was referable to the amount of the chargeable gain on that disposal, and not to the amount of the gain, common sense required that the time to be taken into account in making an apportionment under section 33(8), "having regard to the time and extent" to which the property was used for trade purposes, must be time from April 6 1965 onwards.

It was not suggested that that result could be reached simply by construing "period of ownership" as not including any period before April 6 1965. But, it was said, it could be achieved on a purposive construction.

It was said, and the judge accepted, that time before April 6 1965, on a purposive construction, was irrelevant.

There was common sense in the argument, since the extent of rollover relief on the disposal of a pre-April 6 asset was limited to the chargeable gain attributable to the period after April 6. But the words used in section 33(8) did not fit the argument.

The opening words of section 33(8), "if the old assets were not used for the purposes of the trade throughout the period of ownership," pointed to a time apportionment. On the natural meaning of those words, time during the period of ownership was capable of including time before as well as after April 6 1965.

The judge regarded the wording as "cryptic" and "ambiguous," and he therefore felt able to take an indirect route to the sensible result, in preference to what he regarded as an absurd result.

He was disregarding the time before April 6 as part of the "period of ownership," instead of having regard to that time as directed by section 33(8).

The Crown's broader argument was rejected. Its narrower argument only applied to two of the properties.

In the case of properties No 1 and No 2, gain after April 6 1965 was calculated under paragraph 24 of Schedule 6.

Under that paragraph the gain was assumed to have grown at a uniform rate from nothing at the beginning of the ownership period, to its full amount at time of disposal. The chargeable gain was calculated by way of apportionment by a simple fraction.

With property No 4, howavar, the consideration received on disposal included development valne. It was therefore mandatory to calculate chargeable gain nnder paragraph 23 of *Schedule* 6, not paragraph 24.

Where paragraph 23 applied, it had "to be assumed" under subparagraph (2) that the asset was sold by the person making the disposal and immediately re-acquired by him at market value on April 6 1965.

The Crown submitted that because of paragraph 23(2), property No 4 must, for section 33 purposes, be treated as having been acquired by Lyons on April 6 1965, and not before.

The objection to that argument was that development value, which *made* paragraph 23 applicable to property No 4, had nothing to do with the matters with which section 33 was concerned.

The same point arose in relation to property No 3, under paragraph 25 of Schedule 6.

Paragraph 25 gave the person who disposed of an asset held on April 6 1965 the right to elect for computation of chargeable gain on the basis of a deemed disposal and re-acquisition at market value on April 6 1965, instead of on the basis of straight line growth under paragraph 24.

It provided that if the person so elected, "it shall be assumed" the assets were sold and re-acquired on April 6 1965.

Paragraph 22(2) said that for the purpose of that "it shall be assumed, wherever relevant" that assets were sold and re-acquired.

Each of the three forms of words must have been intended to have the same effect. The words "wherever relevant" were implicit in paragraphs 23 and 25.

The assumptions that the assets were sold and re-acquired were not relevant for the purpose of section 33(8), and should therefore not be made. The actual period of ownership was to be considered, not a bypothetical period founded on an assumption for other purposes.

The narrower argument was rejected. As the broader argument was also rejected, the appeal was allowed.

Lord Justice Butler-Sloss and Sir George Waller agreed.

For the Crown: Nicholas Warren (Solicitor, Inland Revenue). For Lyons: Andrew Thornhill QC and David Ewart (Ashurst Morris Crisp & Co).

Rachel Davies
Barrister

TECHNOLOGY

The day when a personal computer also provides high-definition TV is about to dawn following a breakthrough in the UK. Alan Cane reports

A video window of opportunity opens

British electronics engineers have made a *breakthrough* in the processing of television images, which looks certain to accelerate the convergence of personal computing and video technology. Many experts say that the development will prove as significant as Gntenberg's invention of moveable type or Logie Baird's pioneering work in television.

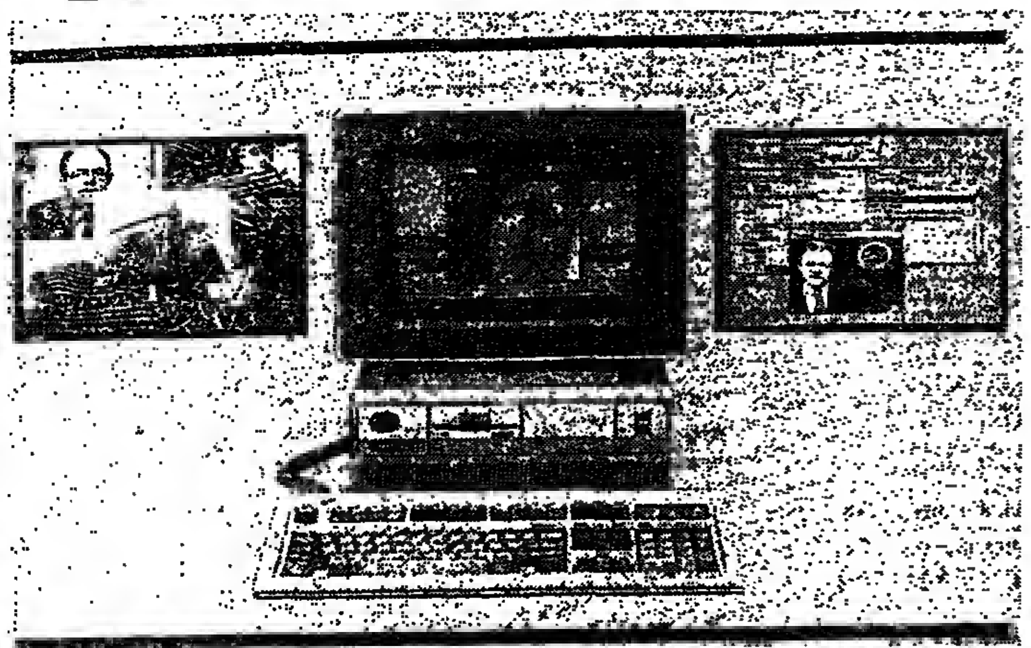
The achievement – underlined by orders from International Business Machines, the world's largest computer manufacturer – represents a giant step forward for interactive video technology, where a personal computer is used to control and manipulate video images from a laser disk, mixing them with information derived from the compnter's memory.

Interactive video has so far found its greatest application in computer-assisted education systems, where course work and self-assessment questions in text form are mixed with television pictures of, say, a scientific experiment or a geographic region.

The breakthrongh involves both electronic hardware and computer software. Videologic, a small electronics company recently acquired by Avesco and based in Kings Langley, Hertfordshire, has developed a printed circuit board and a special set of microchips. When plugged into a personal compnter, the Digital Video Adapter (DVA) 4000 allows it to handle video images in ways which have not hitherto been possible, opening up a world of opportunities in industry, commerce and education.

It makes it possible, for example, to treat a moving television image complete with sound as if it were an applications program like a spreadsheet or database. The image can be displayed on a conventional computer monitor (in itself a breakthrough), expanded, contracted, placed in a screen "window" and even shrunk to the size of a screen "icon" and parked to make space for other tasks.

Most important, the video image obeys what the experts describe as the "grammar" of television – images can be faded out, merged into one another, frozen or superimposed on each other. Experts say that these new facilities provide the bridge between the sophisticated television images, which people have come to expect, and the crude graphics and rongh cut handling of video images typical of interactive video today.



Television pictures from a laser disk (centre), satellite (right) or cable (left) can be mixed with computer generated information on an IBM microchannel architecture computer

Here are examples of what is possible with the Videologic system:

- A foreign exchange dealer can have on his computer screen simultaneously Reuters money rates, a spreadsheet and a broadcast from the Chancellor of the Exchequer discussing the strength of the pound.
- A student watching a film about wild life wants to know more about a particular monkey; when an electronic pointer touches the image, a wealth of information is brought to the screen.
- A businessman can have his his own newspaper – The Daily Me – put together containing items of interest to himself combed from the world's media channels.

Tony Maclaren, Videologic's managing director, has just returned from exhibiting the DVA-4000 at The Hypermedia Expo, in San Francisco, California, where, by all accounts, it stole the show.

Of more significance to Videologic from a commercial point of view is the fact that the West German subsidiary of IBM has agreed to market the Videologic board as an integral part of its new Learning Training System 90 (LTS90) education workstations, a computer-aided learning system which combines graphics, simulations, audio and direct interaction with the video screen.

West Germany is IBM's most important European market. The LTS90 will also be used internally for staff and customer training.

Max Whitby, a senior producer with the BBC's Interactive Television Unit, says that Videologic is genuinely ahead of the field; other companies have managed to digitise the video signal but they have yet to master the "grammar" of television.

Videologic's breakthrough is not a bolt from the blue. Established in 1984, it has been a leader in interactive video technology for most of its existence. Its customers include Lloyds Bank, Sony, Philips, Jaguar, Shell International, John Hancock and the US Naval Academy. Its first important development was the Multi-Media Interactive Control (MIC) system, a combination of hardware and software which made it possible for an IBM personal computer, or compatible, to function as an interactive terminal.

MIC is licensed to Applied Learning, Crosfield Electronics, Philips, Sony, Videofusion and IBM.

In February, Videologic was bought for £10m by Avesco, a UK broadcast and video communications company. With a turnover of £24m in 1988-89, Avesco's products include video standards converters and test equipment. It also hires out Starvision screens for sports events and concerts.

Maclaren says that conventional interactive video systems have severe limitations. They are designed to work with television monitors rather than computer screens, which introduce problems of screen flicker and low definition. Furthermore, although full screen images can be displayed and overlaid with computer generated text and graphics, the size of the picture cannot be manipulated.

The DVA-4000 changes all that. Essentially, it provides a means of turning a television picture, taken either off-air or from a laser disk, into the computer language of binary digits. The digitised image can then be displayed on a high definition colour computer monitor of the kind supplied for IBM's new PS/2 range or Apple's Macintosh II.

Once the signal is in digital form, it can be manipulated by computer in all manner of ways. The problem for interactive video systems is the sheer volume of information contained in a conventional analogue television signal. Maclaren says it cost about £1.5m to develop the five special microchips on the DVA-4000 which collect, digitise and process all that data.

Plugged into an IBM PS/2, the board has to process 25m bits of information a second to handle moving pictures. In normal mode, a PS/2 would be pushed to handle 1m bits of information a second, Maclaren says. Some of the chips ware designed using computer-aided tools provided by the US company VLSI which also manufactured the chips for Videologic.

The largest chip is of similar complexity to a Motorola 68000, which represents in silicon an entire 32-bit microprocessor. The Videologic chip contains a complete television tuner – in other words, with the DVA-4000 fitted, an IBM PS/2 is both a PC and a high definition television set.

The DVA-4000 printed circuit board, a complex artifact comprising eight layers, was made in the Netherlands. At one level, handling digital images simply means having a computer system large enough to know what each picture element (pixel) should contain on a microsecond by microsecond basis. Image generators of the kind built by Ampex (they are responsible for television pictures which tumble into space or wrap themselves around things) use vast computer power to achieve this and are priced accordingly – £500,000 and upwards.

The Videologic board costs only about £1,800. It does not perform tricks like the Ampex equipment, but nevertheless Maclaren thinks it will cut the cost of conventional image processing by a factor of 100.

WORTH WATCHING

Edited by Geoffrey Charlish

Big Mac's remote clock

HUSKY Computers, of Coventry, a specialist in small, robust machines for use in difficult environments, is putting its Hunter model into all 300 of McDonald's fast food outlets in the UK.

The machines are part of a £1m project to modernise "clocking in" by employees. Each installation will include a card reader and a modem (data transmission unit).

Staff will clock in and out by passing personal bar-coded plastic cards through the reader. The data is verified and time "stamped" by the Hunter and stored in solid state memory until the end of the day.

At night, a Husky Mercury 2 communications controller, at McDonald's London headquarters, automatically interrogates all the restaurant units in turn over telephone lines and transfers the data to an IBM mainframe computer for payroll processing.

McDonald's says that the system will substantially reduce paperwork for managers, cut costs and improve the accuracy of payroll work.

The Husky unit proved suitable for this unusual remote polling system because of its powerful communications facilities and its big liquid crystal display, easily seen by staff.

Electric response to pipe fur

A NOVEL means of preventing "furring up" in hot water pipes has been developed by the French company RER.

None of the customary chemicals are involved. Instead, a length of steel tube is installed in the water circuit, surrounded by powerful magnets.

Normally, molecules of metallic carbonates, mainly calcium, are in suspension in most water supplies and they tend to coagulate into larger particles, called macro-molecules, which then become attached to the pipe walls to form scale or fur.

The effect of the magnetic field on the macro-molecules is to break them up by inducing electric charges into the molecules that make them up. The inside of the tube has spiral grooves (like a rifle barrel) which impart a swirling motion to the water and improve molecular charging.

The molecules remain sufficiently charged for about 30 hours so that, in most water systems, they never have the chance to coagulate and stick to the pipe walls.

An advantage of the system is that there are no moving parts and no chemicals to replenish, making it maintenance free and very reliable.

The unit can be supplied for various flow rates to suit anything from large heating systems, laundries and hotel supplies to a DIY kit for domestic use.

A hot tip for steel casting

TWO UK companies, BOC of Shipley, Yorkshire, and Tetronics Research and Development of Faringdon, Oxfordshire, have devised a technique to improve continuous steel casting.

The process uses heat generated by an argon plasma to achieve precise temperature control at the point where the steel is cast. A plasma is a mass of hot gas heated by the passage of large electrical currents.

In continuous casting, a ladle is used to top up a reservoir of molten steel in a container called a tundish. The tundish has down pipes which supply steel to the continous casting, water-cooled copper moulds.

A problem is that, towards the end of a tip from the ladle, the temperature drops and can reduce casting quality or produce scrap.

The Tetronics plasma torch, applied at the surface of the molten steel in the tundish, is able to control the temperature to within plus or minus 5 deg C. It can apply up to five megawatts (equivalent to about 5,000 domestic electric fire elements), at temperatures of about 10,000 deg C, the dispersion being wide enough to avoid damage to the tundish.

The power is easily controlled and does not contaminate the steel or the environment.

Phone on hand for home banking

A TELEPHONE handset that can be used for home banking has been introduced by Philips of the Netherlands.

The company believes the instrument, called Sophoset 162, will be suitable for supply by banks and building societies to their customers. It can operate either as a conventional Strowger pulse instrument or as a multi-tone device for data transmission.

The retail price is about £36, but Philips suggests financial institutions might offer the units free or at cost price to induce people to use home banking services. The user would simply dial the appropriate bank number and then switch to the data mode to make transactions or gain access to account information.

"Star" or "hash" keys are used to achieve the switch between modes and the instrument automatically reverts to conventional operation as soon as the handset is replaced.

Fastest chip in latest IBM PC

IBM HAS introduced a version of its Personal System/2 that uses the latest Intel 80486 microprocessor chip.

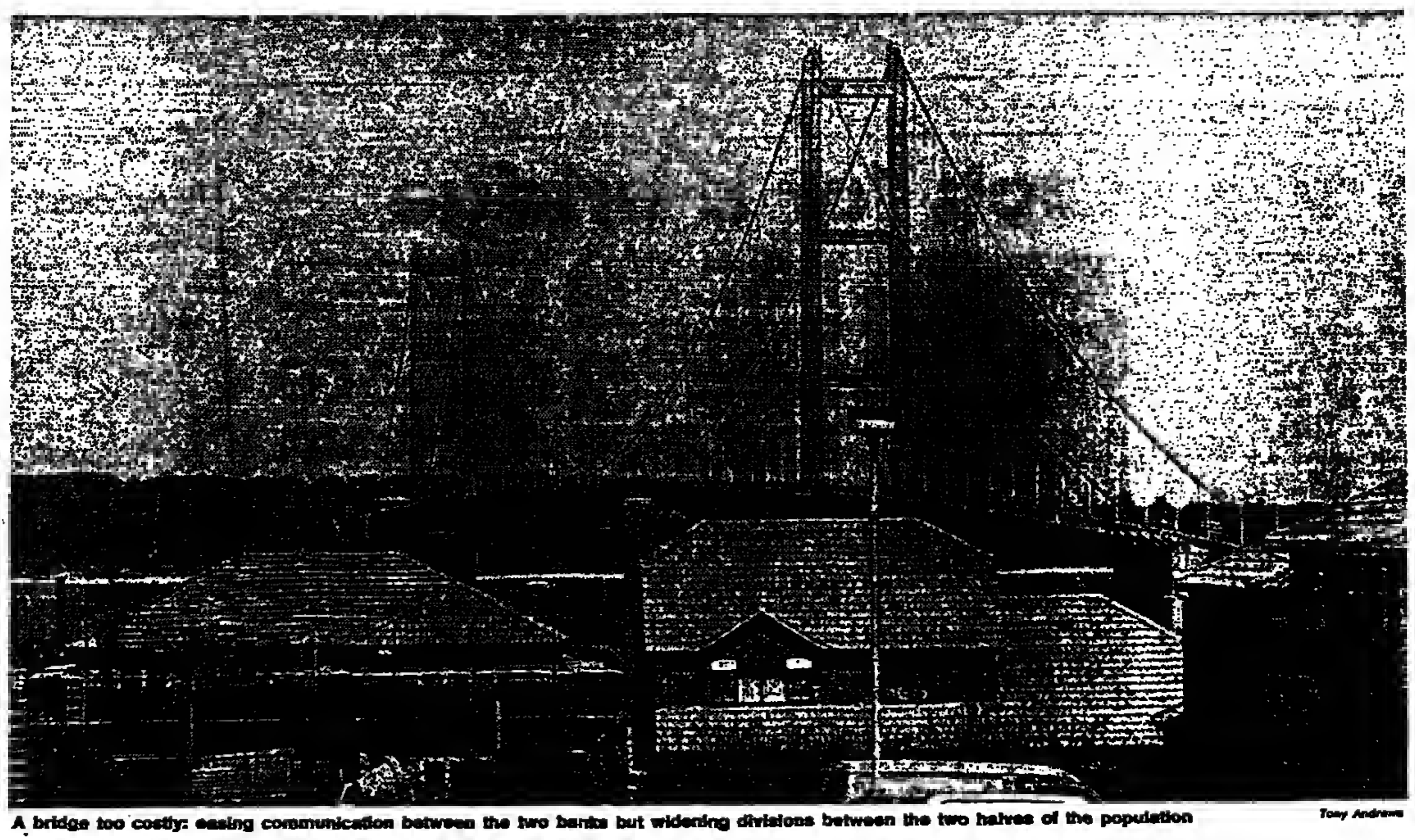
Intel chips have increased in power in the last few years. Most machines still have the 286, but many models are being introduced with the faster 386. However, the latest device, the 486, is between two and three times faster still.

The computers using it are aimed at numerically intensive applications. The main effect is that complex tasks, such as computer-aided design, can be carried out with far less delay between the command and the image appearing.

CONTACTS: Husky Computers: UK, 0203 668151. RER: France, 7850 0237. BOC: UK, 0483 34226. Philips Business Systems: UK, 0206 575115. IBM UK, 0705 321212.

FINANCIAL TIMES SURVEY

Humberside has made a good recovery from the dark days when unemployment soared to 20 per cent. Now, as the county looks forward to becoming the gateway to Europe its boundaries are again under review. **Stewart Dalby** reports.



A bridge too costly: easing communication between the two banks but widening divisions between the two halves of the population — Tony Andrews

HUMBERSIDE

Recovery amid controversy

HUMBERSIDE, the county created amid much controversy in 1974 from the East Riding of Yorkshire and the parts of Lincolnshire which border the Humber River, has taken many hard knocks in its comparatively short life.

Now, just as it has begun to regain its feet economically, its territorial integrity is once more being questioned by people on the north bank of the Humber who are unhappy about being incorporated in a county which includes parts of what was once Lincolnshire. Consequently, the Government has asked the Boundary Commission to re-examine its findings last year that the county works as an administrative unit.

During more than a decade of trauma, at least 20,000 jobs have been lost in fishing, the area's main industry until the 1975 cod war and the subsequent imposition of EC quotas on fish catches. More than 12,000 jobs in the steel industry have disappeared, and the engineering sector is estimated to have contracted by some 10,000 jobs.

By the end of the recession in the early 1980s, unemployment had rocketed from 7 per cent to about 25 per cent, with some 70,000 on the jobless register out of a workforce of 350,000. Relatively higher numbers of women at work disguised the fact that male unemployment in some areas ton ched 40 to 50 per cent.

The tide began to turn in the mid-1980s when the economic development unit of the county council, in conjunction with sympathetic Labour Party-dominated county and district councils, started systematically to lobby Westminster and the European Community for grants and assistance.

The momentum of inward investment – and associated job creation – has really begun to pick up in the past couple of years. The local Economic Development Unit (EDU) estimates there was £1bn of private sector investment in the county in 1988. This compares with £800m in 1987 and £500,000m in 1986.

A large proportion of this investment has poured into Scunthorpe, the old steel town. Scunthorpe was given the full range of aid then available. It used these windfalls to attract dozens of diverse companies and the unemployment rate in the town has dropped to under 10 per cent.

Grimsby has developed differently. Although it lost its deep sea fishing fleet, it has retained a role as an important fish distribution centre and it is probably now the largest in Britain.

The town has branched out into other areas of food processing and manufacture to the point where it now has more than two-thirds of its working population involved in this industry, and promotes itself as Britain's food capital. It has aspirations to the same title in Europe.

Hull, with 250,000 people, is the region's most populated centre, and its revival is not so much a result of the establishment of new companies, or the rebirth of the fishing industry, but because of the expansion by companies that were already in the town and its environs. BP Chemicals, Smith and Nephew, and Reckitt and Colman have all expanded in line with the buoyant national economy and the local renaissance.

Overall, unemployment for the county was 9.9 per cent for April 1989 compared with 7.4 per cent for the UK. Male unemployment was slightly higher, probably about 12 to 13 per cent, and male wages are estimated to be 90 per cent of the national average. It is therefore arguable that regeneration still has some distance to go.

There is also a risk that further progress could be stymied by a failure to sort out the county's identity problems. The county's formation was troublesome from the start, since the "tykes" of Yorkshire do not wish to be associated with the "yellow bellies" of Lincolnshire, as they term them.

The so-called "yellow bellies" harbour similar feelings about Yorkshire people even though residents of Scunthorpe, Grimsby and other towns on the Humber's southern banks probably have more in common with Yorkshire than they have with the rural folk of Lincolnshire further south.

The arguments about dismembering the county are crudely emotional. Some of them border on the farcical.

Tony Andrews

Pat Doyle: council leader

The "tykes" are worried that their sons will not be able to play cricket for Yorkshire. They do not want to play for Humberside, still less do they want to open the batting for Lincolnshire. In reality, Humberside cricketers qualify to play for Yorkshire.

No-one seems able to advance serious economic reasons why the county should be broken up. The Boundary Commission reported to the Government towards the end of last year that Humberside worked as an administrative unit and should continue as a county.

Emotional though the anti-Humberside campaigns may be, they occasionally gather force and in March this year Mr Nicholas Ridley's Department of the Environment responded to one of the campaigns by asking the Boundary Commission to re-examine the question of the county's boundaries.

Officially, the request was made because the department received several thousand letters demanding abolition. Councillor Terry Geraghty, the Labour Party leader of the Humberside County Council, says Mr Ridley has received more than 1m letters opposing poll tax but has not yet decided to "have another look at that".

Mr Geraghty is not alone in believing that the decision to refer back to the Commission the question of boundaries was a political ploy designed to help the Conservative Party in the May 4 county council elections. There was a hung council at the time and the Conservatives were the only group to adopt an ambivalent attitude on the question of Humberside.

If the move was political it went badly wrong because the Labour Party scored a sweeping victory in the polls and now has an overall majority of seven in the 75-member council.

The new council is fervently pro-Humberside and has compiled a copious document advancing reasons why the four alternative options for the structure of the county are impractical.

Its reasoning may well sway the Boundary Commission but, in the meantime, all the old arguments about the formation of the county will be dragged out again and will divert attention from what the council sees as its main task: consolidating the county in preparation for the opportunities in Europe after the single market arrives in 1992.

The problems of the county's integrity are further compounded by the complex questions about the funding of the Humber Bridge. A glance at the map reveals that Humberside only really makes sense if the two banks are linked. Humberside is the largest flat estuary on Britain's east coast, and boasts its best deep water ports.

It has large tracts of land available for industrial development and is a natural base for support services to the lower North Sea and for petro-chemical companies. More than this, it is actively promoting itself as the gateway to Europe. It is 14 hours by sea - or an overnight journey - from Zeebrugge and Rotterdam. After Dover and Felixstowe, the Humber ports handle the most traffic on the east coast and are growing faster than any.

To realise the potential of Europe, Humberside needs to consolidate its integration around the estuary by easing communication between the two banks. Freight and passenger tolls for crossing the bridge are prohibitively expensive - £1.50 for a single journey by car and £8 for a heavy vehicle. This means that traffic across the bridge is much less than it might be. Therefore, instead of acting as a unifying factor, the bridge is actually contributing to the divisions between the residents of Humberside. What is needed is for the financing of the bridge to be sorted out.

In the shorter term, questions can be posed about whether the development of Hull, and to some extent Grimsby, is somewhat lop-sided in that the lion's share of investment is going into speculative house building and service industries which may not provide jobs of any permanence. Many ask whether investment should not instead be diverted to manufacturing industry which is more likely to create lasting jobs.

The heart of Hull, down by the dock area, is now a pleasant area, miles removed from the old image of a smelly, working fishing port. Two old docks, the Humber Dock and the Railway Dock, have been turned into an attractive marina. A former warehouse has been converted into the smart Post Hotel.

This is all very well but should the council have spent money smartening up the docks and pedestrianising the centre of town when there are still 15,000 on the waiting list for housing?

Councillor Pat Doyle, the Labour Party leader of Hull District, answers this criticism by pointing out that the council does more to solve housing problems than most other councils. Housing is still being

Continued on Page 3

Stewart Dalby counts the cost of spanning the Humber River

Much too much for a bridge

HUMBERSIDE as a county was going to make sense only by building a bridge across the Humber, linking the nine districts, Beverley, Boothferry, Cleethorpes, East Yorkshire, Glanford, Grimsby, Holderness, Hull and Scunthorpe. Some of these districts had been in two counties, so a bridge, in a sense, would symbolise the new county's identity.

But a permanent link over the Humber would also rationalise the county's economic life in a practical way. The administrative capital is in Beverley on the north bank seven miles from the main town and population centre, Hull. Three of the four main ports are on the south bank if one counts up-river Goole as being on the south bank. The most dynamic industrial centre, Scunthorpe, is also south of the river. The bridge would therefore consolidate the excellent road network being constructed in the 1970s and would facilitate access to all parts of the county.

Such was the thinking in 1974 when the county was formed.

In 1981 the Humber Bridge, now the longest suspension bridge in the world, was duly completed and, theoretically, Humberside should have become more closely integrated.

However, the financing was complicated. A Humber Bridge Board had been set up as a statutory body by an act of Parliament to build the bridge and subsequently to run it. The structure was to have cost £19m but after the bouts of inflation in the 1970s the final bill turned out to be £90m. The money came in the form of loans from the Government. The board was allowed to roll up interest until 1994. This apparently was the usual period for a development project of this kind. The thinking was that the tolls would eventually relieve debt burden. However, the negative interest rates of the 1970s became positive ones in the 1980s, thus in 1981/82 the bridge earned £3.2m of which £800,000 was allocated for maintenance. In that financial year interest was £18m and has been compounding ever since. Today the debt is £350m and could be £500m by 1994 unless something is done to relieve the burden.

Because the act was passed when Hull was a county borough and the legislation was never changed the present Hull District Council could face most of the liability for the outstanding debt in 1994.

After protracted negotiations and a public inquiry last October about bridge tolls, it was apparently agreed that the Government would "recreate", as its termed, most of the debt providing the tolls were realistic and index-linked. In effect, the government would write off a substantial portion of the outstanding debt.

As a result of the inquiry the charges are about to go up for cars from £1.50 to £1.60 for a single journey and from £8 to £11 for a heavy goods vehicle with four axles. This would apparently meet the government's proviso about charges and the assumption, therefore, is that the government will soon write off a large portion of the debt.


Tony Andrews
Terry Geraghty

However, no-one is sure because the deal is supposedly secret, and nothing has been committed to paper. But it is a very open secret, and the thought of a rising debt causes the county council, as well as the Hull District Council, considerable concern. Nevertheless the county council, unlike the district council, wants tolls discontinued. Ultimately it might find itself footing some of the bill through increased poll taxes. This could deter companies from setting up in the county. In the meantime it is worried about the divisive effects charges have on the unity of Humberside.

The bridge is already one of the most expensive bridges in Britain. Increased charges will probably mean fewer people will use it. Mr Mike Fell, the port manager for Associated British Ports at Hull, estimates that the bridge tolls put 50p on the cost of a ton of freight. Some companies are talking of driving right round the river, adding about 1¼ hours on the journey from Hull to Grimsby. There is evidence that people living in Hull are reluctant to take jobs in Scunthorpe because commuting by car across the bridge costs £15 a week. Certainly, people living on the south bank are loath to take advantage of the leisure facilities such as the Ice-rink, in Hull.

In short, the bridge is far less unifying than it ought to be because it exacerbates the antipathy south-bankers feel for those north of the Humber and vice-versa. The toll is therefore undermining all efforts to integrate fully the economy of the estuary.

It is a pity, because Humberside is facing the right way for Europe and is ideally placed to take full advantage of the single market from 1992. The roadwork servicing the ports is already in place. On the south side the M180 is only minutes away from the M1 and the A1. On the north bank the M62 links up with the A63 which runs right into Hull and the docks.

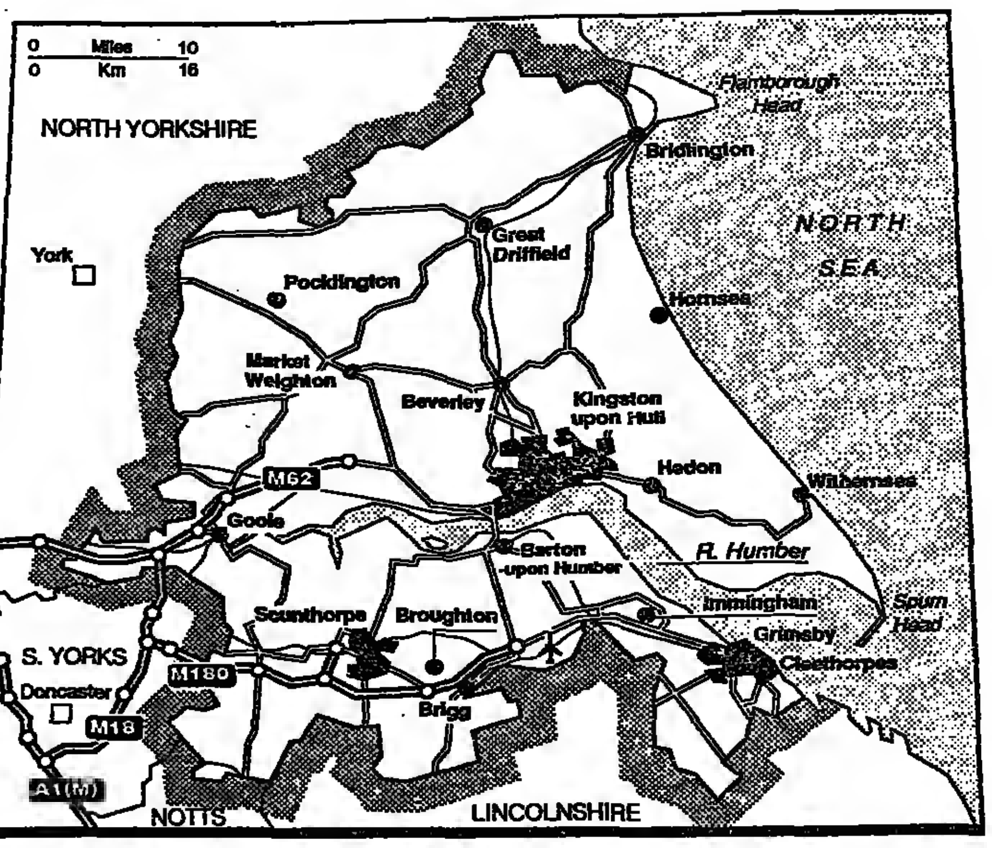
This network could be augmented substantially if an ambitious scheme to build an east coast motorway extending the M11 from Cambridge to Newcastle goes ahead. The county council is the moving spirit behind the idea. It has contributed £50,000 for a feasibility study costing £300,000. Some £200,000 has so far been raised, largely from private industry.

Although such a motorway is outside the road expansions costing £12bn envisaged in the Government's recent white paper, Mr Paul Channon, the Transport Secretary, has told the council he will look at the results of such a study with interest.

Such a motorway would go right across the Humber Bridge, and further transform radically the economy of east England. The arguments for getting rid of the tolls seem compelling. Mr Terry Geraghty, the leader of the county council, feels that at the end of the day, the Government will have to write off the debt and get rid of the tolls — that is, if the county is going to function as originally hoped.

KEY FACTS

Area: 1,356 square miles
Population: 846,500 (1987).
Land: About 7 per cent is urban land, 8 per cent other non-agricultural land, the rest *agricultural land.*
Industry: Food and drink, chemicals, steel, transport and distribution.
Humber estuary: One of the few deep-water estuaries in Britain with a potential for additional large-scale development. With its tributaries it drains nearly 20 per cent of England — the largest catchment area of any estuary in Britain.



Scunthorpe polishes up its tarnished image

No longer a laughing matter

IF EVER a town seemed blighted by its image, it must have been Scunthorpe. The former Lincolnshire town was once the butt of almost every music hall joke. The late Jimmy Edwards, for instance, used to compare every miserable occasion with being in Scunthorpe on a wet Sunday afternoon.

This may not have mattered when Scunthorpe was a flourishing steel town and unemployment was low, sometimes as low as 5 per cent, and wages comparatively high. But in the 1980s overcapacity in the steel industry changed the situation dramatically. In 1982 the last products rolled off the mills at the Normandy Park steelworks and the town and its people suffered severely as a result of the closure. Scunthorpe had been a one-industry town with some 20,000 out of a population of 70,000 people in the mills.

Thousands were made redundant and the unemployment rate rocketed to more than 20 per cent. Male unemployment was much higher. Today, in a slimmed down but efficient steel industry, there are 6,000 employees.

The fact that Scunthorpe had come to epitomise a dull, dirty, northern industrial town where entertainment and enjoyment were rare, could have counted against it when trying to attract new industries.

In truth, the comedians have painted a false picture of the town and its reputation is undeserved. Scunthorpe is a garden city with parks and landscaped housing estates. It has 1,000 acres of parkland and open space for its 62,500 inhabitants, which could just mean more greenery per person than most towns in Britain.


Tony Andrews
Hutchinson: chief executive

The remaining steelworks, it is true, do look something like an L.S. Lowry painting, but the emissions from its smoke-stacks are not objectionable and, surprisingly, there is no pollution problem.

Mr Ian Crowther, the industrial development officer of the *Industrial Development and Enterprise Agency* (Idea), maintains that the town's image is not a drawback once a businessman or an industrialist is persuaded to visit Scunthorpe. Mr Crowther has been the moving spirit behind the *concept of promoting Scunthorpe* as an island of industry in a rural area.

"Once they get here," Mr Crowther says, "everyone is pleasantly surprised by how nice and green it is."

But the pleasant atmosphere is only one factor among many others that have led to Scunthorpe's revival. The town has been conspicuously successful in attracting national and international investment.

The agency, was started in 1979 before Mrs Thatcher came to power. Mr Ian Hutchinson, the chief executive of Scunthorpe District Council, believes the agency was one of the first industrial development organisations of its type in the country. The Scunthorpe authorities were worried about the imbalance between male and female employment and tried to woo textile and food companies which would employ women. By the time the axe fell on the steel industry in 1982 they had achieved some success.

The attempts at attracting new industry were boosted by the packages of aid assembled from various sources. In 1982, to the chagrin of Hull and Grimsby which gained only intermediate status, Scunthorpe was declared a development area. This meant that projects qualified for full regional development grants on an indiscriminate basis. In 1983 part of the Scunthorpe area was made an enterprise zone, and this was followed later by a second enterprise zone. This resulted in the abolition of rates, 100 per cent capital allowances against tax for owner occupiers of new buildings and simplified planning procedures.

British Steel gave various kinds of aid and assistance, and there were and are subsidised loans available from the European Steel and Coal Community, and the European Investment Bank under certain conditions.

In truth the comedians have painted a false picture of the town

There were and are other forms of national assistance in the form of the Youth Training Scheme, grants to employers and employment training. In addition, there are various local authority programmes. These include: the Humberside County Council Small Business Grant, the Humberside County Council Employment Subsidy Scheme, the Humberside Venture Capital Register and the Redundant Apprentice Subsidy Scheme.

Among the great advantages enjoyed by businesses in the area is that communications are very good. To the west the M180 is a few minutes drive from the M1, the A1 and the M62, so that Sheffield, Leeds and Nottingham are an hour away by road, Manchester 1½ hours, Liverpool and Birmingham two hours and London under three hours. To the east, along the A180, are the ports of Immingham and Grimsby, from where Rotterdam and Zeebrugge are 14 hours away by ferry. To the north, along the A15, are Hull and Goole ports.

Another advantage is the availability of a pool of unemployed skilled labour, which is often prepared to work for lower than usual wages. (Even today male wages are 90 per cent of those in the south-east.) Scunthorpe is not on the main commuter rail line to London so house prices have remained reasonable.

Industrial land is cheap and available. Something like 1,439 hectares out of the total of 2,900 hectares designated for industrial use in Humberside is in the Scunthorpe area. The average cost of an acre of land, fully serviced is now £40,000. The highest price reached so far is £80,000 an acre, which is vastly different from the £500,000 to £1m in the south-east.

The go-ahead Industrial Development and Enterprise Agency has a good working relationship with the councils dominated by Labour Party. Consequently, although Mr Hutchinson concedes that the grants were an important factor in concentrating interest in the area, the excellent co-operation with the councils played a significant part in the revival process. "From the start my officers were allowed to get on with it. We were able to offer fully serviced land at a reasonable price with all the other bits and pieces taken care of."

All this has meant that more than 200 companies have been attracted to the area with an investment of many hundreds of millions of pounds and the creation of at least 5,000 jobs. This has dropped the overall unemployment rate to just under 10 per cent, although male unemployment is still nearer 12 per cent. Mr Crowther says: "We have established 2.75m sq ft of factory space in the past five years."

Mr Crowther insists that Idea has been concerned to attract manufacturing companies. He says: "We have not looked to service companies. We are a manufacturing town. Service companies can disappear as quickly as they came, if the going gets tough."

Large concerns in technology like Ericssons hava become well established in Scunthorpe and have expanded. In furniture there have been a number of companies, such as HLF, Spring Ram, Hygena and Chippingdale Kitchens, setting up. Unigate has started a poultry factory and Ginetta Cars, the area's only sports car manufacturer, has set up in Scunthorpe. It makes the G32 which is supposed to be the answer to Toyota's MR2. "The trouble is," as Mr Crowther points out, "Ginetta makes five or 10 a week whereas Toyota makes five or 10 every few minutes." Another company in Scunthorpe is Skippingdale Paper

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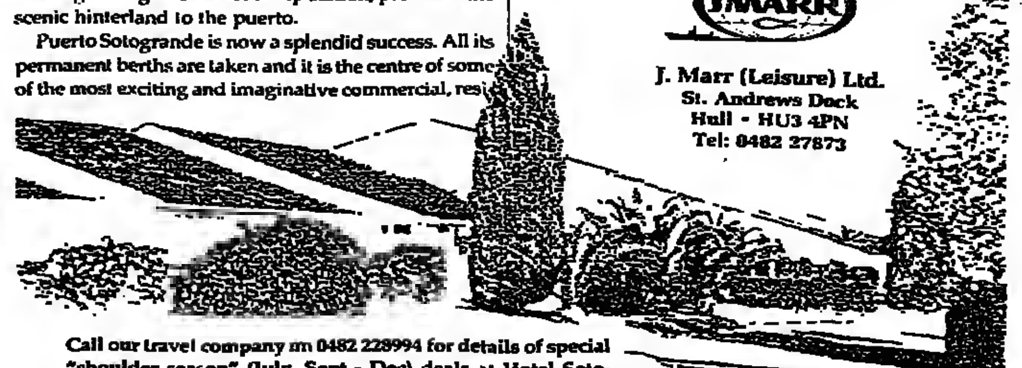

Alastair Guild visits the busiest estuary in Britain

Shipshape for the future

THE managers of Associated British Ports' Humberside ports of Goole, Hull and Grimsby and Immingham have a more optimistic view of the future. The National Dock Labour Scheme is finally on its way out, and with it will go restrictive practices which the managers claim have driven away shipping, and investors in modern port facilities. There is confidence also among the Humber's many private wharves, operating outside the scheme, though it is the scheme that has been partly instrumental in diverting smaller vessels, in particular, in their direction.

It is expected there will be more than enough business to go round. The Humber is already the busiest estuary in Britain, with much of its trade emanating from Rotterdam, as a feeder port, and from northern Europe and Scandinavia. There is the prospect of a rapid build-up towards 1992, while the predicted resurgence in the economy of the region is expected to increase demand for shipping services. Rapidly improving road and rail connections will add to the Humber's attractions.

The estuary handled some 80m tonnes last year, 13 per cent of total UK seaborne trade. The ABP ports accounted for 43m tonnes, the Tetney oil terminal, a mono-mooring buoy in the estuary, handled 7m tonnes and private wharves the rest.

Grimsby and Immingham together handle two-thirds of the total tonnage through the estuary, 70 per cent of that in bulk, serving many of the key industries, such as petrochemicals, steel and titanium oxide, on the banks of the Humber. Grimsby, capable of taking vessels up to 150,000 dwt is also an important destination for Danish dairy produce and foreign car imports.

The combined port has broken tonnage records every year since 1984. "Ours has been one of the better labour forces within the scheme, prepared to work hard for good pay," says Mr Dennis Dunn, manager for the combined port. "But changes in working practices will enable us to present an even better picture to the market place."

He reports an increase in inquiries from foreign shipping operators thinking of setting up or extending freight handling facilities since the announcement that the National Dock Labour Scheme is to be abolished.

ABP's confidence in the port's future is underlined by plans for a number of significant investments. A bill for a large deep water terminal is now before Parliament, for example, and discussions are under way with industry about the future of some of the dock

There will be more than enough business to go round

areas where once large trawlers landed their catches. Grimsby still holds a key auction for fish landed by boats, from Grimsby and other ports, as well as being an important centre for fish processing.

Among the possibilities is the reclamation of the old docks for industrial uses such as fish processing, and the rebuilding of the fish landing and auction areas.

Of all ABP ports, Hull has the most to gain from the abolition of the Dock Labour Scheme, says its manager, Mr Mike Fell. It owns 2,000 acres across seven miles of waterfront, large tracts of which await development. There is the prospect of re-opening whole areas of dock which were closed in the early 1980s with the loss of trade to other ports. "The scheme is the only factor that has been holding us back," says Mr Fell.

Hull, which caters for vessels up to 30,000 dwt and handles 6m tonnes of the Humber total, has nevertheless seen £16m of investment over the past three years. A bill is now before Parliament seeking clearance for three new berths to handle roll-on, roll-off traffic, which at present represents 50 per cent of Hull's traffic.

It has greatly increased its throughput of timber in the past few years and is the sole port of entry for Lada cars, while its passenger terminal, opened in 1987, now handles more than 700,000 passengers a year on the crossing to Rotterdam and Zeebrugge.

The removal of the Dock Labour Scheme is also expected to benefit Goole. Some 80km up river from the mouth of the Humber, or five hours sailing at 10 knots, it is handling the size of vessel which has become the staple business of the private wharf.

"The greater flexibility will enable us to compete better," says Mr Trevor Auld, Goole's administrative and commercial officer. "The port already reports substantial increases in tonnages handled for the past three years, with iron and steel, containers and coal being the main in-and-out cargoes.

"It is reassuring that much of that increase has been traffic taken from the wharves. There was a feeling that we would have to concentrate on specialist, particularly container traffic, requiring heavy capital investment in handling equipment and cranes. But we have shown we are competitive as well in handling 'easy' cargoes, such as bulk and palatised goods."

Vessels have continued to use ABP ports partly because of the preference among ship owners for a closed dock system, says Mr Auld. Vessels are able to stay afloat across tides, vital for RO-RO traffic in particular. At Goole, the water level is maintained at 5.5 metres throughout the dock.

The ending of the Dock Labour Scheme will also encourage the growth of Goole as a distribution centre, attracting investment in warehousing, Mr Auld believes. ABP has filled in old dock areas and reclaimed marsh land to provide space for a container terminal, timber storage and stockpiling imported bulk materials. Shippers and freight forwarders would be drawn to the port by its proximity to the motorway and rail network, says Mr Auld. It is also close to the Aire and Calder Canal which can take barges carrying up to 800 tonnes.

The wharves appear largely undaunted by the prospect of the National Dock Labour Scheme disappearing. They have prided themselves on quick turnarounds, only possible by employing non-scheme labour, with vessels able to come in on one tide and leave on the next. Much of their business has come by way of recommendation.

Gunness wharf, five hours sailing up the Humber, on the banks of the River Trent, is one of the largest private wharves. It handles 2m tonnes each year through its existing eight berths, while its owner, J Wharton (Shipping), is building two new jetties, increasing its handling capacity to 3m tonnes. The wharf can take vessels with a maximum draught of 6.5 metres.

The company also has a £2.5m programme to increase its warehousing and tarmac stocking area. It already has 300,000 sq ft of warehousing, and has installed an impressive computerised system of weighbridges, enabling the company to monitor the progress of cargoes.

Vessels from Europe and from Poland, Yugoslavia, Greece and Spain use Gunness wharf, with British Coal among its large customers. "Providing we can maintain our service to the customer, and keep our record for efficiency, we can be confident about the future," says Pamela Davies, of J Wharton (Shipping).

GRIMSBY

Food Town of Europe

GRIMSBY'S reputation as a fishing port has spread worldwide since the opening of its first fish dock in 1856. Not by accident does the town have the largest Icelandic community outside London in the UK. But perhaps less well-known is its more recent emergence as a centre for food processing of all kinds, not merely fish. It is now promoting itself as the Food Town of Europe.

Its market still thrives, with more than 200 merchants carrying out their early morning bidding for fish brought in from around the UK coast, Ireland, Denmark, Holland and Iceland, augmenting direct landings. Processing, cold storage and specialist haulage and distribution services have developed alongside the docks.

However, the household-name frozen food companies that were originally attracted to the town no longer buy exclusively from the Grimsby auction, purchasing as well on the international market. Equally, they have diversified away from "commodity" fish products, such as fish fingers, to respond to the increasing demand for gourmet-type convenience foods.

The Ross part of United Biscuits (Ross Young's) has its origins in a small fish merchanting business. It now employs 2,000 on Humberside. The emphasis is increasingly on added value products such as brand recipe meals and speciality seafood products, though 45 per cent of production remains in "commodities" such as fish fingers. The North Thoresby plant is where most of its green vegetable processing is concentrated, while its Hull factory produces grill steaks, burgers and meat pies.

Findus, employing 1,200, still produces 12,000 miles of fish fingers each year at its Grimsby plant. Two thousand tonnes of fish fingers are exported, principally to France. It is the only large frozen food manufacturer with its own wet fish and block-making facility, and that is based in Grimsby.

But before the cod war with Iceland it was producing 20,000 tonnes of fish block a year. Of the 8,000 tonnes it now uses in Grimsby, 5,000 tonnes are bought and made locally, with the remaining 3,000 purchased on the international market.

Two thirds of its Grimsby production is now devoted to higher value added, rather than "commodity" products, *such as fish fingers, and that* gap is widening. Its parent company, Nestlé, has invested £8m in new plant and equipment at the Grimsby plant over the past year or so, £2m of that to install a new line to increase the factory's capacity for Lean Cuisine and Dinner Supreme "boil in the bag" products, a market worth £28m this year, up 35 per cent on 1988. Pancake production is expected to be worth £30m this year. This year's £6m investment will be used to build a new pasta line, bringing three more pasta dishes on stream. The investment is also intended to ensure that the factory conforms with EEC directives.

Bird's Eye also has a *major* programme of investment at its Grimsby plant, where it employs 1,500. It is spending £10m on fish finger production and £20m on the production of the Menu Master range and snacks and is investing £1m at its Hull plant where 700 are employed in the manufacture of other fish products and vegetable processing.

Humberside will soon play an important part in satisfying the growing demand for chickens, with the opening of Europe's largest single chicken processing and growing operation in Europe. Unigate is investing £55m in the complex, establishing 46 farms, a feed mill and hatchery, capable of handling up to 1m birds a week. It has already received EEC clearance to produce birds for the European market.

Tony Andrews

Thriving fish market: early morning bidding for 200 merchants

The company has been in poultry since the late 1970s, almost entirely through acquisition, but saw a gap in the market for chickens weighing between 3lb and 3½lb, a gap which was being filled mainly by imports. This is the sort of weight that now appeals to the housewife seeing a chicken as one complete meal, rather than a Sunday joint with the leftovers used on Monday and Tuesday, says Mr John Davies, for the company. Chickens are now a commodity. This complex will offer the economy of scale, particularly important in such a price sensitive market.

The process begins with the intake of day-old "parent stock". These are reared to two or three weeks before maturity, and are then moved on to "laying" farms, in the ratio of one cock to 10 hens. There they establish "natural" groupings, and lay in nesting boxes in large air-conditioned sheds. Eggs are collected daily and taken to the hatchery where they are incubated. The chicks become the birds that land up on dinner tables.

Unigate chose Humberside partly because of its well established and defined livestock rearing policy. "The northern half of the county is a major pig-producing area so we were talking with people familiar with the industry, who know its requirements and how to accommodate it," says Mr Davies. South Humberside is also one of the country's main grain producing areas, so is able to meet much of the demand for feed, expected to reach £18m each year.

The company was also attracted by the pool of labour in and around Scunthorpe where the factory is situated. It expects to employ 1,200 when the operation is fully up and running. The area's communications for both national and international distribution was another selling point.

Alastair Guild

Recovery amid controversy

Continued from Page 1

built, despite the constraints imposed by Westminster, and its attempts to privatise existing stock.

The council is involved in a public sector/private sector enterprise with the Bellway group of Newcastle to construct 1,200 low cost houses at St Andrew's dock. Even at a projected cost of under £40,000, the houses are beyond the reach of many families. Central government logic here appears to be that as the unemployment level drops and more women work, then an increasing number of two-income families will be able to afford the homes.

The third dock, Prince's dock, is being transformed into a "spectacular" shopping centre costing £60m. This will undoubtedly provide jobs in retailing.

Are the authorities not worried about the volatility of retailers as employers? Mr Doyle answers: "I think any job which produces a pay packet at the end of the week is a real job."

No laughing matter

Continued from Page 2

Products, originally a Scandanavian concern, which makes environmentally-friendly nappies.

However, the Idea's most pleasing catch appears to be the Citizen group, which built a brand new factory on a pretty, green site. The company makes computer printers. There are nine Japanese employees, and 150 workers were recruited locally. The staff is expected soon to double.

This company could point the way to the future. Mr Hutchinson says Scunthorpe has not been a relocation site, but has been a place for start-ups and expansions. Surprisingly, he says, few companies have viewed the town as a gateway into Europe.

With 1992 and the single European market approaching, Scunthorpe could be an ideal base, particularly for Japanese companies wishing to break into European markets.

The enterprise zone land has all gone, and the regional development grants have been replaced by the more discriminatory regional selective assistance. Although recently there has been a shortage of land, another fully serviced 200 acres are about to come on stream and it is still comparatively cheap.

Scunthorpe, meanwhile, is ploughing ahead to make itself more attractive. It has its cinemas, its leisure centre and soon, at a cost of £50m, it will have a refurbished and expanded city centre shopping complex. Some 256,000 sq ft are being developed, 150,000 of them new.

Driving back over the Humber bridge Mr Crowther told me that Scunthorpe was formed in 1936 out of five villages. Why did they have to choose the name Scunthorpe, he wondered. Why not Winterton, or Winteringham or South Ferriby?

Now that Scunthorpe has overcome its image problem, the very idea sounds strange. After all, it would hardly be quite the same thing establishing an industrial company in South Ferriby.

Stewart Dalby

Arts Week

F	Sa	Su	M	Tu	W	Th
7	8	9	10	11	12	13

July 7-July 13

EXHIBITIONS

London

The Tate Gallery. Cecil Collins and F.E.McWilliam – retrospective shows side by side of two senior British artists: both shows until July 19; McWilliam sponsored by Ulster TV.
The Royal Academy. The 221st Summer Exhibition of the Royal Academy – the usual gigantic and enjoyable free-for-all of painting, sculpture, print and architecture with nearly 1,200 works on show. Yet, as always, it is different this year for the particular treats it offers for the visitor who has the determination to search them out among the general mass. in defiance of received opinion, the general standard of work is commendably high and this year better displayed than ever. Daily until August 20.

Paris

The Louvre will be closed from *Thursday 13th of July till saturday 15th of July because of the Summit meeting but will be open, exceptionally, on Tuesday 11th of July.*
Fondation Gianadda. *A Henry Moore retrospective of some 50 sculptures,* 80 drawings shown in rotation and 60 engravings is as impressive by the judicious selection of exhibits, as by the exceptional location for 12 of the monumental statues in a park with Alpine peaks as a backdrop. There are family groups, majestically reclining feminine figures, the hieratic couple of the King and Queen. But most of all, the works, be they in bronze, marble or alabaster, be they of vast proportions or fitting into the palm of a hand, are a hymn to eternal motherhood. (026-223978).
The Louvre. Michelangelo as draughtsman. Some 80 drawings chosen from great international collections come to Paris after being exhibited in the National Gallery of Art in Washington. Closed Tue. Ends July 31.
Galerie Schmit. French masters of the 19th and 20th century.The traditional yearly exhibition in the three-storey town house shows the richness and diversity of the period covered. An exceptionally cheerful Courbet – the Sleeping Peasant woman with round red cheeks and a red bodice is only a few paces away from a small Corot, Games in Greece, poetical in its italian light. Nicolas de Stael's flowers ina flat-rendered shiny red flower pot spread their green leavesin generous broad brushstrokes against a black background nextto Signac's ships leaving a harbour, where the mood and the subject are expressed through a multitude of carefully applied small pastel coloured dots. 396, rue Saint-Honoré (42603636), closed lunchtimes and Sundays, ends July 19.

Brussels

Palais des Beaux-Arts, The *Credit Communal Collection* of Belgian Art from 1860 daily ends July 20.
Musée d'Art Moderne. Retrospective of the Belgian abstract artist Victor Servranckx (1897-1965). Closed Mon. Ends July 30.
Centre Culturel le Botanique. A sense of catastrophe – art in the 1960s shows works of American and European artists. *Closed* Monday ends August 13.

Frankfurt

'Je Suis le Cahier', the sketch*books of Picasso.* This exhibition of 40 sketchbooks and around 200 paintings, organised by the *New York* based Pace Gallery and sponsored by the American Express company, will have its *second* stop here in Frankfurt on the European tour. These fascinating sketchbooks, owned by Picasso's family have never been shown in public before. All styles and periods in his working life are represented here. These books cover around 70 years of his life; his start in Spain of the turn of the century, the cubism period before the First World War, and followed by the period from 1920 to 1965.

Bonn

Kunsthalle am August-Macke-Platz, Hochstadenring 22.Centres, Residences and Metropolis in German History.This interesting exhibition, organised by Bodo-Michael Baumunk,has about 1,500 pieces on loan from private collections and *museums.* It is the government's contribution to Bonn's 2,000th anniversary. The ground floor of the Kunsthalle, with all walls painted black for effect, offers a view of important paintings, silver items, signets and personal distinctive belongings of German politicians, from the Middle Ages up to the present. Aachen is represented as the seat of Charlemagne, Nuremberg *as the* Emperor's city, Regensburg as the town of the everlasting diet and Frankfurt *as the seat of* Germany's first national parliament. There are also portraits by *Kokoschka of Konrad Adenauer,* Theodor Heuss and Ludwig Erhard. A reconstructed model *shows the original layout of* Berlin's famous Wilhelmstrasse, the location of the Prussiangov*ernment and empire.* A constructed steel bridge leads the visitor into the postwar period. Here, can be traced the first years of the Federal Republic of Germany and its capital Bonn. Sketches and models for the Bundestag are on display as well as photographs of the first Ger*man Chancellor,*Konrad Adenauer, who strongly influenced the political postwardevelop*ment.* Ends August 20.

Stuttgart

Staatsgalerie, Konrad-Adenauer-Str. 30-32. Salvador Dali: (1904-1989). Stuttgart presents the biggest Salvador Dali retrospective since his death earlier this year, to honour him on his 85th birthday. 350 works from all periods of his working life and from several collections, *museums,* galleries, from all parts of the world, except the Teatro-Museo in Figueras, his home, are to be seen. The exhibition, organised by Mrs Karin von Maur, who tries to explain how Dali's works can combine with the post-modern period, concentrates on his works from the 1930s (surrealism). Among *them are* pictures which have not been shown in public before. Ends July 23.

Vienna

Albertina. The museum has assembled a collection of water colours and paintings by Austrian artists. The only thing they all have in common is their age - they are all in their sixties. Try and ignore the appalling lighting, the surly staff and the poor labour of the exhibition and enjoy works by George Eisler, *Alfred Hrdlicka* and others. Ends July 16.
Kunstforum. Time is running *out to see the* Leopold collection. It contains, among others, hitherto unseen works by Egon Schiele and Gustav Klimt who revolutionised Viennese art at the turn of the century. Ends July 23.
The Benedictine Monastery in Melk, an hour's drive from Vienna, celebrates its 900th anniversary. Besides a fascinating collection of paintings, books and later, newspaper cuttings, the Abbey boasts the finest baroque architecture in this part of Europe. Until November 15.
Albertina. Try not to become annoyed with the depressing layout, the appalling lighting and the uninterested staff when seeing a wonderful collection of watercolours and drawings by Austrian artists. Included are works by George Eisler and Alfred Hrdlicka. Ends July 16.

Rome

Villa la Farnesina, Via Della Lungara 230. Drawings from the Venetian and Lombard schools: 16th to 18th centuries. About 100 works from the National Graphics Institute's collection. Particularly interesting is the Venetian section, with nude studies by Tintoretto, works by Domenico Campagnola, a large group of sketches by Palma di Giovane, and two views of Rome by Canaletto. Make a point of seeing Rapahel's frescoes on the ground floor of the villa on the way out. Ends July 16.

Turin

Russian and Soviet Art 1870 - 1930. Renzo piano, architect of the Beaubourg, has given the 250 works chosen from Soviet museums by Giovanni Carandente and immensely effective setting, turning the ground-floor workshops of the dis-used Fiat factory into the equivalent of an arab tent. The works are hung on suspended panels of white gauze, divided into 22 more or less chronological sections, complemented by the immense Bolshevik-red banners which flutter in the breeze in the square outside. Much of the early figurative paintings on show give evocative glimpses of life in the Russian villages and the particular quality of light and landscape. Notably Vasiliev's "autumn woods", Nesterov's pensive girls in traditional dress at the lakeside, and Vinogradov's inviting summer-houses on the slopes of the Crimean hills, with their unexpectedly luxuriant gardens. Cosmopolitan and sophisticated, Russian artists could hardly have been in closer contact with contemporaries in France and Germany. Matisse was in Moscow to install his two paintings, "music" and "dance" in the house of the collector, Sergei Sukin, and two symbolist works on show by Petrov-Vodkin, "youngsters" and "the thirsty fighter" contain clear echoes of these. The giant figure of the prototype of impresarios, Diaghilev, looms over the exhibition. There are two portraits, one by Serov, elegant and devilish, dated 1904, and another, with his old nurse, painted by Bakst in 1906. There are numerous original designs for the sets of the Ballets Russes: "petrushka" (1911) and "pavillond'armide", by Benois (1907), the ballet which marked the beginning of Fokine's career as a choreographer and that of Nijinsky and Pavlova as dancers, at the Marinsky theatre. A number of remarkable portraits stand out, from Vladimir Tatlin's empty-faced "sailor" to Altman's faintly expressionist portrait of the poetess Anna Achmatova (1914), with its intense blues and yellows.. Serov's mournful "grand duke pavel alexandrovich" and Chagall's "redjew". Chagall has a section to himself, which includes a number of charmingly domestic scenes, such as "the datcha window", as does Kandinsky, with three fine works, including the large "compositionvi" from the Hermitage. Ends october 20th.

Venice

Palazzo Grassi. Italian Art: 1900-1945. A much-amplified exhibition covering a briefer period than did the recent show at the Royal Academy in London, organised again by German Celant, with the director of Palazzo Grassi, Pontus Hulten. An attempt is made to put the works into a clear political and social context, emphasising links with contemporary literature, music and cinema. The exhibition ends with two blown-up stills from films by Visconti and Rossellini. Ends Nov.

New York

Whitney Museum. The 65th in the long series of Annuals and Biennales features a large group of lesser-known artists among the 80 represented on three floors of galleries. Ends July 9.
Guggenheim Museum. More than 100 paintings and drawings by contemporary Austrian artist Arnulf Rainer reveal the unique imagery of a mystic vision translated into an abstract idiom. Ends July 9.

Washington

National Gallery. *More than 400 images are part of a massive retrospective of the 150 years of photography, here represented by Alfred Stieglitz, Walker Evans, Laszlo Moholy-Nagy among dozens of others. Ends* Aug 13.

Chicago

Art Institute. Master drawings from the Teyler Museum, the oldest in Holland, include nearly 100 works of two centuries by Michelangelo, Raphael and Rembrandt.

Tokyo

Suntory Museum. Edo Glassware. Over 130 glass objects from the Edo period (mid 17th - mid 19th century), including glassware imported from Europe as well as examples by Japanese craftsmen. Closed Mondays.

July 7-July 13

MUSIC

London

Royal Philharmonic Orchestra, conducted by James Judd, with John O'Connor (*piano*). Beethoven, Tchaikovsky. Barbican Hall (638 8891) (Sun).
Moscow Soloists, City of London Festival. Yuri Bashmet, director. Schoenberg, Britten, Tchaikovsky. Barbican Hall (638 8891) (Wed).

Paris

Carl Maria von Weber's chamber music, concert and discussion. (Mon 7pm) Auditorium des Halles. (Paris Festival (48049801, info. in English 47208898)
National Choir, University Paris-Sorbonne Choir and Orchestra-conducted by Jacques Grimbert (Wed) Saint-Severin Church. (48049801)

Summer festivals in France.

Saint-Jean-de-Luz, Aug 30 - Sept 18 (59260316).
Guethary Piano Festival, July 2 - July 12 (59265650).
Provence, Cote d'Azur. July 7 - Aug 8 (90842424).
Avignon, July 12 - Aug 8 (90862443).
Aix-en-Provence, 10 - 30 July (42283781).
La Roque-d'Antheron, Aug 1 - 23rd (42505115).
Menton, Aug 5 - 31 (93575700).

Brussels

BRT Philharmonic Orchestra conducted by Fernand Terby with *Geert de Bivre (cello)* and louisa Van Dessel (horn) playing works of Beethoven, Schumann and *Richard Strauss. (Mon) Mai*son de la Radio.
Quatuor de Contrebasses de Bruxelles performing works *of* Bottesini, Cappelleti, Gounod, Handel. (Wed) Hotel de Ville.
Huy Chamber Orchestra conducted by Jean-Claude Kromenacker with Andre Isselee (flute) and Meiko Migazawa (piano) works of Mozart Barvaux (sat) 086 - 40 01 11.

Bad Kissingen Summer Festival

A local politician proposed an "East meets West" festival because of Bad Kissingen's closeness to the East German border. *The fourth* festival concentrates on Russia. Amon those appearing are the Dresden Philharmonic Orchestra, Dresden Baroque Soloists, Georgian Chamber Orchestra, Moscow Radio Orchestra and the Rascher Saxophone Quartett. Soloists include Heinrich Schiff, Juri Bashmet, Dmitri Sitkovetsky, Siegfried Jerusalam and Waltraud Meier. *There are* two operas, Mozart's *Die Entführung aus dem Serail* and Handel'e *Rinaldo*; also workshops *and* matinees with young Russian musicians and contemporary composers.

Vienna

Wiener Mozart Orchester in period costume. Mozart. Konzerthaus. (Fri, Wed.)
Wiener Hofburg Orchester, conducted by Gert Hofbauer. Miscellaneous operetta and waltzes. Konzerthaus. (Sat, Wed, Thurs).
Wiener Trio. Hummel, Paganini, Pleyel, Britten. Palais Palfy. (Mon).
The Royal Philharmonic Orchestra from Flanders, conducted by Gunther Neubold. Johann Strauss, *Brahms. Arkadenhof.* (Tues, Thurs).

Rome

Berlin Philharmonic and solo*ists. Schoenberg,* Strauss, and Verdi. (Fri) Piazza del Campidoglio.
Roma Europa Festival, for the bi-centenary of the French Revolution. With soprano Helene Delavault with a recital of revolutionary songs (Sat) Villa medici:(94744776 and 65446010).
Midday Chamber Music Concerts (3310288). Teatro Caio Melisso.

New York

Mostly Mozart Festival Orchestra conducted by Gerard Schwarz with *Izhak Perlman (violin).* Mozart, Bach. Avery Fisher Hall (Tue) (874 2424).
Izhak Perlman violin recital with Joseph Kalichstein (piano). Moart programme. Avery Fisher *Hall (Thur)* (874 2424).

Tokyo

Shinsei Nihon Symphony Orchestra, conducted by Ondrej *Lenard. Mahler.* Suntory Hall (Mon) (988 1558).

Schleswig Holstein Music Festival

June 25-August 20

Following previous successful festivals, initiated and directed by Justus Frantz, this summer's programme has been extended to 163 concerts in 34 different venues. Musicians will be performing in towns and villages from Flensburg in the north to Lüneburg in the south, in manor houses, barns, churches, concert halls and riding stables.

Among the orchestras appearing are the Vienna Chamber Orchestra (Entremont), Czech Philharmonic (Neumann), Philharmonia Orchestra (Sinopoli), Hallé Orchestra (Menuhin), and the Bavarian Radio Orchestra (Masur). Soloists include Natalia Gutman, Boris Pergamenschikov, Heinrich Schiff, Anne-Sophie Mutter, Claudio Arrau, Jorge Bolet, Barry Douglas, Christa Ludwig, Lucia Popp, Dietrich Fischer-Dieskau, Jean Pierre Rampal and the Tokyo String Quartet.

One of the festival's aims is to attract and support young talent and there will be classes with Boris Pergamenschikov, Karl-Heinz Kaemmerling, Tatjana Nikolajewa, Brigitte Fassbaender/Helmut Deutsch, Burkhard Glaetzner, Lev Naumov and others at the music university in Lübeck. The festival's own orchestra, with 120 members from 21 nations, will train throughout the summer with Claus Peter Flor, Valerie Gerjev from Leningrad, Christoph Eschenbach and Leonard Bernstein, while Bernstein accompanies the orchestra on a two-week concert tour through Europe. Sponsored by Bertelsmann, Zentis, Audi and Windsor. Details and tickets from Schleswig Holstein Festival. Postfach 3840, 2300 Kiel (0431 567080).

July 7-July 13

THEATRE

London

The Merchant of Venice (Phoenix). Dustin Hoffman'e Shylock e sympathetic, semaphore-gesturing alien in Peter Hall's fine Venetian Renaissance production, Geraldine James a superb Portia (836 2294).
Much Ado About Nothing (Strand). Alan Bates and Felicity Kendal lead strong ad hoc company in turnabout fortnightly rep with Chekhov's early, astringent Ivanov. Not to be despised (836 2660).
As You Like It (Old Vic). Yet more non-RSC Shakespeare, with an outstanding Rosalind from Fiona Shaw in eclectic, enjoyable Tim Albery revival. Ambitious designs (928 7616, cc 261 1821).
The Black Prince (Aldwych). Ian McDiarmid gives the performance of a lifetime in Iris Murdoch's distillation of her own Hamlet novel. Witty black farce, vitriolic and entertaining (836 6404).
Ghetto (Olivier). Brilliant National Theatre version of Joshua Sobol's Israeli play about the last days of the Vilna ghetto and its resident theatre company. Moving and shocking. Nicholas Hytner directs, Bob Crowley designs, good music arranged by Jeremy Sams. July 7-10 (928 2252).
Single Spies (Queen's). The highlight of Alan Bennett's double bill is a comic confrontation between Prunella Scales as Her Majesty the Queen and Bennett himself as Anthony Blunt in the royal picture gallery. Clive Francis plays Guy Burgess in a rehash of Bennett'e fine TV film *An Englishman Abroad* (734 1166).

M. Butterfly (Shaftesbury). Anthony Hopkins as the tortured diplomatic hero in a Peter Shaffer-style "spectacle of ideas" dressed up in John Dexter's superb production as a metaphor of homosexual life. The transvestite tragedy proves less electrifying than in New York; the play is not very good but still worth seeing (379 5399).

Brigadoon (Victoria Palace). 1947 *Lerner* and Loewe *"heather-scented"* Scottish fairytale hit is handsomely revived and well sung, less frail than expected (834 1317, cc 836 2428).

The Vortex (Garrick). Maria Aitken and Rupert Everett in brilliant reappraisal by Philip Prowse of Noel Coward's 1924 study of drug addiction and mother fixation. Mannered, excessive, beautifully costumed. *A must for yuppies* (379 6107, cc 741 9999).

New York

Heidi Chronicles (Plymouth). Wendy Wasserstein's award-winning drama covering 20 years in the life of a successful American baby boomer goes from support for Eugene McCarthy's presidential aspirations to electoral ambitions in the 1980s, accompanied by the musical and emotional flavour of the period (239 6200).
Twelfth Night (Delacorte). Jeff Goldblum heads the cast in this free outdoor performance in Central Park that begins the New York Shakespeare Festival's nearly 30th year of culture by moonlight. Director Harold Guskin has elegantly set the comedy in designer John Lee Beatty's version of *turn-of-the-century* Monaco. 81st Street entrance on the west side. Ends July 23.
***Jerome Robbins'* Broadway** (Imperial). Anyone ettracted by the notion of a three hours of film trailer previews will adore this compendium of Robbins' directed and choreographed plays of the past 40 years, including On the Town, West Side Story and Gypsy. The lustre of the credits is dimmed by the brevity of each *piece,* with a contemporary crew of Broadway aspirants who lack the multi-tal*ents that inspired the heyday of the musical.*
Rumours (Broadhurst). Neil *Simon's latest comedy is a self-*conscious farce, with numerous slamming doors and lots of mug*ging but hollow humour that* misses as often as it hits. Christine Baranski leads an ebullient *cast in the inevitable but disap*pointing hit.
A Chorus Line (Shubert). The *longest-running musical* in the US has not only supported Joseph Papp's Public Theater *for eight years but also updated* the musical genre with its backstage story in which the songs *are used as auditions rather than* emotions (239 6200).
Me and My Girl (Marquis). Even *if the plot turns on ironic mim*icry of Pygmalion, this is no classic, with forgettable songs and dated *leadenness in a stage-full* of characters. It has nevertheless proved to be a durable Broadway *hit* (947 0033).
Phantom of the Opera(Majestic). Stuffed with Maria Bjornson's gilded sets, Phantom rocks with Andrew Lloyd Webber's haunting melodies in this mega-transfer from London (239 6200).

Chicago

A Funny Thing Happened on the Way to the Forum (Goodman). Stephen Sondheim's most popular musical, for which he wrote both music and lyrics, stars Louis DiCrescenzo as Pseudolus in Burt Shevelove and Larry Gelbart's adaptation of Plautus. Ends Aug 6.
Les Miserables (Auditorium). The international spectacle has settled in for a long stay by the Great Lakes (922 2110).

Tokyo

Les Miserables. (Imperial Theatre) Strongly-cast revival (in Japanese) of the stirring musical of the storming of the Paris barricades (201 7777).
The Phantom of the Opera. Nissei Theatre (045 903 5701). This excellent production (in Japanese) is a carbon copy of the London original.
Kabuki. Both the matinee and evening performances at Kabuki-za (541 3131) *feature the prodigious* Ishikawa Ennosuke, whose barn storming acting style, *spectacular aerial stunts and costume* quick-changes have attracted a younger audience to Kabuki, *but also reflect its roots as a* truly popular theatre. At 11am: a mixed programme of four short plays. *At 4.30pm: Hitori Tabi* 53 Tsuki, a colourful tale of inheritance and vendetta which *includes a fight beneath a 'real'* waterfall.

ARTS

David Bradley and Richard McCabe

The Silent Woman or Epicoene

SWAN THEATRE, STRATFORD-UPON-AVON

Not before time, the Royal Shakespeare Company has got round to one of Ben Jonson's greatest plays, the exquisitely sadistic prose comedy *Epicoene*, written between *Volpone* and *The Alchemist* but performed so rarely that the company feels confident in asking critics not to reveal "the fundamental secret," as though this imperishable classic were *The Mousetrap*.

Danny Boyle's production renders this impertinent request superfluous by casting as the dumb dame an actor, John Hannah, into whom you would not care to bump on a dark night: the white bridal gown is no disguiser of a two-day stubble, a deep Glaswegian voice, hands like hams and docker's shoulders.

Epicoene is being manipulated by the disinherited nephew, Dauphine, of the curmudgeonly old Morose who cannot abide noise but wants a wife. The cataclysmic discovery that she does raise her voice – "You can speak, then!" – precipitates a public confession of impotence and the signing of his estates back to Dauphine in order obtain an instant divorce.

Parallel to this action, the inventive and garrulous Truewit, one of three pre-Restoration dissipated rakes, organises a series of noisy eruptions designed to discomfort Morose still further. These involve a rancid collegiate of disaffected wives; an attenuated fop, Sir Amorous La Foole; a fraudulent knightly poetaster, Sir John Daw; and a sporting fanatic, Tom Otter, whose dedication to his cups (he carries at all times his pewter mugs decorated with a bull, a bear and a horse) excites violent matrimonial suppressions.

This lot all turn up for the wedding feast, a tumultuous third act climax from which the play surprisingly recovers with a wonderful Jonsonian improvement on Shakespeare's duel scene in *Twelfth Night* and a gleeful mock Latin court ceremony to establish Morose's disabilities (*"manifestatem frigidititatum"*). This is also a comedy of false beards, hair-pieces, and wigs: the rakes wear long, lank curls, the collegiate an array of stiff pastel perruques, La Foole his flaxen hair on a distaff like Sir Andrew Aguecheek's. "I live in a windmill" declares the despairing groom, as the combatants are shoved into cupboards, booted in the bum (but what's six kicks to a man that reads Seneca, Truewit wisely remarks?), and tweaked viciously by the nose. Beset by vigour and celebration, Morose realises too late he has married a Penthesilea.

For as Anne Barton noted in her majestic study of Jonson, Dryden's favourite play bar none not only anticipates the experimental Restoration wits like Etherege's Dorimant and Congreve's Valentine, it is also a *dramatised dissertation on sexual decorum*. Richard McCabe's Truewit unfortunately blew the great manifesto against marriage on Wednesday night, but the production still bites as a sexist hold-all of attitudes, prejudices and observation. The collegiate all know about contraception. And make-up covers a multitude of sins: old Otter's wife goes to bed each night in 20 boxes and is reconstituted in the morning like a great German clock.

McCabe is scurrilous and rat-like, but he misses the air of spirit and ingenuity that Douglas Hodge evinced in a York Festival revival five years ago (*that* was the first recorded professional version since the Phoenix Society's 1924 production in which Godfrey Winn was a well-noted Epicoene). Overall, the playing and casting are undernourished, not really good enough to set beside John Caird's Jonson revivals in this address. But at least the theatre is properly used as Morose's windmill, once Kandis Cook's cloth reproduction of Jacobean London is swept aside.

As Morose, David Bradley gives another delightful slow-burning performance, appearing among the campanologists' ropes in a padded helmet later exchanged for a huge cushion strapped on with a leather belt. He has doubled his walls and trebled his ceilings against noise, and his servant is allowed to respond only by jerking up his knee. Morose's temperamental migraine has grown into one of the stage's great comic obsessions, and while you might imagine a larger scale reading of the role, Bradley's pained muttering and frozen, finical gestures are the tragic evidence of a deeply hilarious stand against the modern barbarities of the world outside.

Michael Coveney

Pretty Polly

ALBANY EMPIRE, DEPTFORD

Under the auspices of LIFT, Roadside Theater has brought three plays comprising their *Pine Mountain Trilogy* to depressed and ravaged South London – about as far, culturally speaking, as it is possible to get from the Kentucky/Virginia borders – the Appalachia of Copland and Delius.

Or perhaps not. Posters in Deptford High Street warn of encroaching developers and lament the profiteering in council house sales. While *Pretty Polly*, the first of the trilogy, deals with the homely yarn-spinning of one Polly Branham Johnson in the field of family history, tall stories and plain myth, I suspect subsequent chapters will underline similarities between rural hard times and urban deprivation. In both cases "they" out there, the vested interests, the guys with the chequebooks, the corporations, are moving in, and the little people have no say in the matter. *The Grapes of Wrath* at the National Theatre recently told the sama story of disinheritance.

At any rate, *Pretty Polly* is a scene-setter to get us into the mood. A rocking chair, an upright seat, a bench and a rough slatted tabla make up the set. Banjo, fiddle and guitar are brought into play in the first of the "three moonshine musicals." The three performers stroll on: tha check-shirted men are bearded, Tommy Bledsoe profusely so, the woman in a flower-print dress and lace-up boots has her hair in a bon. "Some people call us hillhillies," says Ron Sbort ominously, adding, "some people do it only once."

The form is that of an informal session of gossip, reminiscence and story-telling. The three interrupt one another, prompt, take over, digress, spark off arguments. The feeling is certainly one of community, even kinship. There are songs, in some of whirh the audience (responding a little timidly) are asked to join. To English spectators the impression is less Anglo-Saxon than Celtic; easy to imagine this bout of shared anecdote, history and legend with Irish or Scottish accents.

The stories range from direct accounts of family affairs to sheer fairy-story – fascinating to hear the primal elements of Enropean folk-tales in the adventure of the girl who found herself eating a human finger in the cabin of her mysterious admirer (called "Mr Fox" as in all the best admonitory fahles rooted in our unconscious fears). There is even a warning hird (here a parrot) who addresses her by name and a locked room as in *Bluebeard*. There are tales of witchcraft and tall stories that shade into fantasy.

On Tuesday's first night some of it was heavy going for players and audience, with the cast unsure of how much to explain (I'm still uncertain of how real or mythical the self-destructive and reconstitutable joint-snake is) and some of the words swallowed by the accent. The set pieces kept the house's attention, however: the story of sister Ethel who pined away after ontliving three young husbands and who rlaimed to see them in her room shortly before her death (a nice pay-off line here); and Angelyn Debord with a woman's acrount of the hanging of her brother.

Roadside Theater was founded on such true stories and an awareness of what constitutes cultural roots, background, a whole heritage. The remaining plays chart Appalachian life and people up to post-Vietnam disorientation; after Deptford the trilogy moves on to the Watermans, Brentford.

Martin Hoyle

Cavalleria rusticana/I pagliacci

COVENT GARDEN

It is a settled matter, these many years, that *Cav* and *Pag* go together like a horse and carriage. The unsettled question is, which is which? Which supplies the horsepower? We all have our prejudices: mine says that it's *Pag* that pulls, because Leoncavallo's artful pointing and pacing of his little music-drama (or musical *grand-guignol*) can still make it work, whereas Mascagni's *Cav* – which sets a precise, astringent village-story in a generalised lyrical style – is irredeemably a period-piece now. But they both sing gratefully, and the juxtaposition of Sicilian and Calabrian scenes is piquant; and at the Royal Opera on Tuesday Richard Gregson revived the old Zeffirelli productions to well-deserved ovations.

They were last seen in 1982, so Gregson's vivid stagings must involve far more than simple reproduction. Zeffirelli's evocative sets remain great assets, especially the Sicilian high-street of *Cav* with its grand, receding stony bridge (impeccably lit by somebody uncredited in the programme-book). We have also two visiting Russians, one for each opera, who establish full-blooded characters with their lusty tenors, and excellent supporting casts – and Piero Cappuccilli in both. His betrayed husband Alfio in *Cav* is abrasively dapper; his twisted clown Tonio in *Pag* is strong but unfinished, and his ripe Prologue there demonstrates all the art of a past master.

In *Cav* the new Russian is Paolo Kudriavchenko, whose bulky Turiddu evinces raw feeling as if by inadvertence, with the bluntness of a Janáček anti-hero. His Santuzza, the Yugoslav Ghena Dimitrova, is devotedly touching and plain; she owes herself some closer attention to the words, and a bit more creative freedom with the vocal line. More of that would enhance Robin Stapleton's treatment of the score, too, which was decently fervent on this first night without quite recapturing Mascagni's faded perfume. (The unfocussed, patently English chorus were no help.) Elizabeth Bainbridge again made a concerned, genteel Mamma Lucia; Jean Rigby's Lola was less naughtily appealing than expected.

Amongst a minority, I thought the agonised posturings at the end faithful but ludicrous. Had the melodic line up till then been more freshly effusive, I might have come round – Mascagni needs his parlour-sweetness, since his marking of the drama is so tame. Leoncavallo's *Pagliacci* score is sharper, more knowing stuff, fully equal to his flashy libretto. Vladimir Atlantov made a properly tormented Canio (shades of Anthony Quinn in Fellini's *La strada!*), with ringing outbursts powerful enough to conceal some imprecision about the actual notes, and the American soprano Diana Soviero was a clever, nervy Nedda.

One believed Anthony Michaels-Moore's anxious swain Silvio, warmly sung though invincibly English, and Barry Banks sketched a neat, fey Beppe plus "Harlequin" (in the play-within-the-play). All of these – and the non-singing characters stirred into the brew by Zeffirelli – co-operated in a piece of gripping musical theatre. Severe connoisseurs may dismiss the whole double-bill; but it would be more rewarding to consider why the tricksy melodrama of *I pagliacci* still accumulates such dramatic momentum, while *Cavalleria rusticana* sounds just a level narrative of sentimental moments.

David Murray

The Knife

SAVONLINNA FESTIVAL

Of Finland's principal exports, two might be singled out here as being of particular note. One is the supply of paper for the London edition of the Financial Times, a contract held for many years by a Finnish company, and the other is the successful export of home-grown Finnish operas.

The production centre, as it were, of this unusual musical commodity has been the annual festival at Savonlinna, a small town on the eastern side of Finland. Since 1975 it has introduced a succession of major works by Finnish composers, the most recent being Sallinen's *The King Goes Forth to France* in 1984 and the festival's reputation has grown with each new undertaking.

As this year marks the 350th anniversary of the town of Savonlinna, it was inevitable that the administration would wish to mark the occasion by commissioning a new opera. With civic pride at stake, there was to be no *stinting of the* budget, either on the production side or for the long hours of rehearsal, and the result of the festival's labours was unveiled on Monday night: *Veitsi (The Knife)* by Paavo Heininen.

It was a controversial choice. Heininen (born 1938 in Helsinki) has been regarded as something of an enfant terrible in Finnish musical circles. His early works met with a general lack of comprehension and the première of his First Symphony turned into a scandal when the orchestra abandoned the performance before the end. (Shades of Tippett and his Second Symphony.) I notice that the inflight magazine of Finnair goes so far as to dub the composer "Paavo, the Pounder."

Quite a reputation to live up to. But, in fact, visitors to the first night of *The Knife* will have been relieved or disappointed, depending on their outlook, to find that the score for Heininen's new opera is by no means unapproachable, at least considered in the context of those contemporary operatic styles that are to be taken seriously. Its flavour is vaguely post-Berg (especially post-*Lulu*), without being flagrantly derivative.

What gives it real individuality is the text by Veijo Meri. This is the story of a young poet caught between low life drug dealers and the sham, glamorous world of capitalist power play – a scenario defiantly of a "here and now" immediately recognisable to British readers, even if it ironically seems a world away up here in the picturesque lakes of Finland.

Still, this is a strong basis for a stage work, perhaps too full of words to make a genuine music drama where the constituent parts are in equilibrium, certainly too elusive and richly imagined in its style (rewarding though that makes it to read as a work of literary merit on its own). But the opera does have something to say and says it with characteristic Finnish relish: realism, spiced with humour, laced with absurdities, topped with symbolism.

Heininen responds by giving a few lyrical episodes to his leading pair – the poet, cleanly sung by the tenor, Jorma Silvasti, and Hildur, his ideal woman, Eeva-Liisa Saarinen – but long conversational themes to other major characters, such as the Publisher (Jorma Falck) and the characterful Pamppu (Jyrki Niskanen). The two sopranoes, Riikka Hakola and Kaisa Hannula, made a positive contribution. The producer, Jussi Tapola, had little opportunity to make use of the vast castle stage.

Sami Salkkonen and Jorma Silvasti

The musical performance, seemingly well prepared, was in the safe hands of Ulf Söderblom. What I missed from the score was a chance for the music to break from its restricting demarcation lines as a conveyor of character, atmosphere and descriptive detail, all of which *it* fulfils most deftly, and to give us a wider interpretation of the drama. The music is never in the ascendant, as it is in the recent operas of Stockhausen and Henze, Messiaen and Berio.

Ultimately, the question on everybody's lips is, "Will it travel?" To which one might guardedly reply, "Perhaps." The Savonlinna Festival, exhaustive as ever in its preparations, had made available the full libretto in three languages for this production, but the opera would have to be translated for foreign consumption. That way *The Knife* should retains its highly personal cutting edge. Then again, potential importers will note the price tag for a difficult contemporary opera, and that is likely to be high.

Richard Fairman

On the Town

GUILDHALL SCHOOL OF MUSIC AND DRAMA

Leonard Bernstein's wartime Broadway hit, about three sailors in New York on a 24-hour leave, demands maximum energy from every performer. Youth is not only something prescribed by the story, but a great practical advantage. Kevin Robinson's Guildhall production makes the most of that, and it more than balances passing frailties. Besides, *On the Town* is in the first place a show, not an anthropological document: some dicey American accents here (even the most plausible ones fix no specific geography) and some weak playing in smaller roles hardly matter. The show goes on with plenty of committed verve and clean, enthusiastic support from the Guildhall orchestra under Chris Walker.

There is no sharp line, historical or otherwise, to be drawn between ordinary musicals and the "all-singing, all-dancing" kind, but *On the Town* certainly marked an ambitious step toward the latter ideal. Young Bernstein and Jerome Robbins had had a success with their ballet *Fancy Free*, and decided to develop the gist of the stage-idea in a more marketably appealing form (with Comden & Green brought in to do the lyrics, and George Abbott as director and collaborator). The dance emphasis remained; the sung numbers allowed for various degrees of vocal prowess. Bernstein's extrovert score remembers a lot of Copland, but otherwise introduces nothing radical into the Broadway idiom beyond the odd trace of "classical" training.

At the Guildhall the cast must have been chosen with a sensible ear to how much singing each could manage, for they all deliver faithfully – given generous miking – what's needed of them. Only the baritone Simon Chesterfield, who opens the show with a disarming "I Feel I'm Out of Bed Yet," comes from the Guildhall's music wing, but the singing actors are more than creditable. The dance requirements are tougher: though Ken Walsh's choreography is lustily idiomatic (bar the odd end-of-British-pier touch) and actor-friendly too, solo dancing doesn't put this cast's best feet forward.

Among particularly watchable performers – invidious to say this, but inevitable – are Andrew Williamson's tenderly sung, Matt Dillonesque hero and Jennifer Wiltsie's cool seductress in the Celeste Holm mould. Peter Tembe's perky Chip is excellent; and if Kate Rhodes James is a whole Atlantic away from the streetwise New Yorker her woman taxi-driver should be, she contrives a character just as engagingly wry. It all goes with a swing, as well as some careful period accoutrements (designer, Claire Lyth), and continues until next Thursday.

David Murray

ARTS GUIDE

July 7-July 13

OPERA AND BALLET

London

Barbican. Opera Gala Night, London Concert Orchestra, conducted by Nicholas Cleobury, with Anne Williams King, (soprano), Bonaventura Bottone (tenor), Jason Howard (baritone), English Concert Singers Chorus, and Fanfare Trumpeters from the Band of the Welsh Guards. Rossini, Bizet, Puccini. (Sat) (638 8891).

Paris

Paris Opéra. *Spectacle Balanchine* alternates with *Don Quixote* in *Rudolf* Nureyev's choreography after *Petipa* and with *Tarare*,Antonio Salieri's opera after Beaumarchais. Accompanied by*La Grande Ecurie Et La Chambre Du Roy* with Jean-Claude Malgoire as conductor (47425371).

Berlin

Opera. Theater des Westens. Concert version of *Maria Stuarda* with a star cast led by Alicia Nafe, Sharon Sweet, Pietro Ballo, Lenus Carlson, Friedrich Molsberge, IrisVermillion, conducted by Jesus Lopez Cobos. *Rigoletto* in Hans Neuenfels' production has fine interpretations byGwendolyn Bradley, Barbara Vogel, John Sandor, George Fortune and William Murray. A ballet evening with 'divertissements' closes the season.

Frankfurt

Opera. The successful opera debut of Thomas Langhoff's *Ein Sommernachtstraum* production, supported the wonderful singing of counter tenor Jochen Kowalski, Andray Michael, David Bennet, Mira Zakai, Rodney Gilfry and Kimberly Barber.Gluck's rarely played *Ipigenie in Aulis* brings Sonia Theodoridou, and Jurij Zincvenko together. Further offered *Rusalka*.

Hamburg

Staatsoper. Musikhalle. Concert version of *Rienzi*, conductedby Gerd Albrecht with a *first-rate* cast led by Klaus Koenig ,Luana Devol (Irene), Harald Stamm (Steffano Colonna), Dunja Vejzovic (Adriano), Franz-Ferdinand Netwig (Paolo Orsini), Kurt Moll (Raimondo). Berlin's Theater des Westens appears with the successful *Ein Sommernachtstraum* production and has Ingrid Caven.

Stuttgart

Opera. *Der Fliegende Hollaender* features Wolfgang Probst,Nancy Johnson, Matthias Hoelle and Toni Kraemer. Kathleen Kuhlmann repeats her much praised performance in the title role in *La Generentola*.

Munich

Opera. Munich's Opera Festival. The second week starts with Adrana Lecouvreur in John Copleys production with star singers Mirella Freni, Hanna Schwarz, Placido Domingo, Jan-Hendrik Rootering and Rolando Panerai. *Il Barbiere di Siviglia*, has David Hampson, Robert Gambill, Julie Kaufmann, Jan-Hendrik Rootering, excellent in the leading roles. A *Hermann Preylieder* recital, accompanied by Leonhard Hokanson with Schubert's *diewinterreise*. The festivals new *Mathis der Mahler* production, by Kurt Horres with Sabine Hass, Angela Maria Blasi, John Broecheler, Claes H. Ahnsjoe and Alan Titus. *Ariadne auf naxos* with Christian Boesch, Theo Adam, Ann Murray, Edita Gruberova and Elizabeth Connell rounds off the programme.

Milan

Teatro alla Scala. Roberto de Simone's production of Gluck's *Orfeo ed Euridice*, conducted by Riccardo Muti, with Bernadette Manca di Nissa, LuciaMazzaria and Elisabeth Norberg-Schulz (Fri). Glazunov's *"Raymonda"* with choreography by Juri Grigorovich, danced by IsabelSeabra, Biagio Tambone and Francisco Sedeno and conducted by Michel Sasson. Also Francesco Cilea's *Adriana le Couvreur* conducted by Gianandrea Gavazzeni, with Natalia Troitskaya taking over from Mirella Freni in the tragic title role. (80.91.26).

Rome

Terme di Caracalla. Rome's strike-torn open-air season continues with *Romeo and Juliet*, with choreography by Mario Pistoni, danced by Margherita Parrilla and Mario Marozzi, conducted by Alberto Ventura. Also Mauro Bolognini's production of *"Tosca"* conducted by Jan Latham Koenig, with Giovanna Casolla, Nicola Martinucci and Ingvar Wixell. (46.17.55).

Villa Medici. (Roma Europa Festival) The Paris Opera Ballet company dancing Balanchine's *"Agon"* to Stravinsky's music, Twyla Tharp's *"As Time Goes By"* and "Rules of the Game" and William Forsythe's *"In The Middle Somewhat Elevated"* to music by Tom Willems. (Mon Tues and Wed) (4744776 and 6544601).

New York

New York City Opera. The first full week of the season sees the first performances of *Il Barbiere di Siviglia* with Thomas Woodman as *Figaro* and Jane Bunnell as Rosina in Lofti Mansouri's production conducted by Sergiu Comissiona; *Rigoletto* with Pablo Elvira in the title role conducted by Scott Bergeson; *The Merry Widow* conducted by Imre Pallo with Michele McBride as Sonia; and Catherine Lamy as the Madama Butterfly conducted by Imre Pallo. Harold Prince's new production of *Don Giovanni* continues with John Cheek in the title role and Elizabeth Holleque as Donna Anna, Frances Ginsberg as Donna Elvira and Dean Peterson as Masetto. Lincoln Center New York State Theatre (877 4700).

Tokyo

Gunung Jati. Traditional dance and music from Bali. Shinjuku Bunka Centre (Wed, Thurs) (358 7433)

Bolshoi Opera. *The Golden Cockerel* (Rimsky-Korsakov). Tokyo Bunka Kaikan (Wed, Thurs) (235 1661)

Aida. A cast of thousands, including elephants, in the elephantine production first seen in front of the Pyramids. Katia Ricciarelli takes the title role, with Piero Capuccelli as Radames. Tokyo Dome (Tues, Thurs) (407 8248)

SALEROOM

Furniture hits new highs

Christie's yesterday established its third important record in successive days when, after securing highs of £1.32m for an object of tribal art (a Benin bronze head) and £880,000 for a clock (by Thomas Tompion), it sold an item of English furniture for £1.1m, far *outstripping the previous best* of £407,000 paid for a George II commode at Christie's a year ago.

It was widely expected that the George III ormolu mounted mahogany dressing and writing commode, attributed to John Cbannon and made around 1760, would do well and it carried a top estimate of £200,000. But in the event the euphoria which bas gripped the salerooms in recent months pushed the bidding up to a record.

The provenance accounts for the price. This bureau was almost certainly bought by William Beckford, the fabulously rich City merchant, to furnish his country residence Fonthill Splendens in Wiltshire. Its companion piece is now in the V & A. In 1965 the same bureau sold at Sotheby's for £3,700, but that was before the great antiques boom.

The auction set a record for English furniture of almost £3.9m, with 7 per cent unsold. A George II commode attributed to John Mayhew and bought by the 9th Earl of Sandwich to furnisb Burley in the mid 1770s, sold for £198,000, over three times the forecast, while the London dealer Partidge paid the same sum for a pair of mid Victorian terrestrial and celestial globes, 56 inches high, made by Malbys in 1861. This unexpected price, *about five times forecast*, set an auction record for library globes. Partridge also paid £126,500 twice over for two pairs of George II mahogany library armchairs.

Sotheby's also had *plenty* to crow abont. Lubin, the New York dealer, probably hidding on behalf of the Getty Museum in Malibu, paid £572,000 for a mid 12th century Mosan gilt copper and champlevé enamel plaque, measuring 10x10cm, of the sacrifice of Cain and Abel. This Romanesque enamel was previously nnrecorded and brought in to Sotbeby's for identification. It comes from a group, perhaps made for Henry of Blois, brother of King Stepben, now scattered among many museums.

The Getty is also probably the home for three late 12th century English gilt copper and champlevé enamel panels from a casket, which Lubin bought for for £319,000. In 1978 Sotheby's sold tbem for £260,000, proving that not *all* works of art soar in value.

Antony Thorncroft

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Accountants in a panic

THE WORLD of the big accountancy firms is once again in a state of high ferment. After the merger of Ernst & Whinney and Arthur Young, we have the prospect of an even more powerful grouping in the shape of Price Waterhouse and Arthur Andersen, together with expectations of a link between Deloitte and Touche Ross.

To the growth merchants of what used to be called the Big Eight, these moves look like the natural culmination of a decade of successful expansion. To outsiders they give rise to a certain unease. How is it that the big firms have prospered so mightily when the profession from which they stem has made so little progress on key issues such as goodwill accounting, brand valuation and inflation accounting? Is the potential shrinkage from the Big Eight to a Big Five or Four really in the public interest? And are the clients' interests being sacrificed in the pursuit of size for its own sake?

The merging firms claim to be in no doubt that clients will benefit. The declared logic usually rests on some version of the argument that large clients need access to the full range of audit, tax and consultancy services on a global basis. Critical mass, an unsatisfyingly vague phrase, is much bandied about. The big firms also say that they need to spread the cost of developing information technology systems across a wider client base in order to remain competitive.

Fall-out risk

Well maybe. But to anyone who is not involved in the stampede, it looks less a case of coherent strategy than of collective panic where the fear of being left on the shelf predominates. And there will surely be fall-out.

The experience of Saatchi & Saatchi suggests that it is harder for service industry firms to keep clients happy on a global basis than at first meets the eye. The recent merger between Peat Marwick Mitchell and KMG, which is widely regarded as a success story, still resulted in the loss of some 10 per cent of the two groups' turnover. With the impetus for mergers often coming from the US partners of these loose international federations, the risk of firms in continental Europe and points East choosing to realign themselves with other groupings is far from negligible.

What cannot be denied is that the audit market will remain highly competitive, mergers notwithstanding. Today multinational companies increasingly put their audit out to tender; and increasingly the big accountancy firms are tempted to bid at uncompetitive rates for audit work in order to win the chance to offer consultancy and other services on the basis of their audit entrée.

New issue tradition

But even the multinationals may be a little concerned at the prospect of market concentration if this means that there are not enough top flight independent firms to go round in a complex contested bid situation. All the more so since the financial markets are reluctant to see medium-sized accountancy firms graduate upwards: on a new issue of any size few issuing houses are happy to look beyond the former Big Eight for a reporting accountant's signature on a prospectus.

Nor is the public interest here confined to the narrower issues of competition policy. For the accountancy profession around the world is responsible for delivering an important public good: sound financial information without which capital markets cannot operate. The big firms have made a notable contribution through their consultancy work in information technology. But their global business ambitions suggest that they are becoming dangerously remote from their original, socially valuable audit function.

Perhaps this is an inevitable consequence of a system in which the auditor is paid not by the shareholder in whose interest the audit is supposed to be conducted, but by management. But the potential conflict between auditing and the accountants' other activities, together with the sudden prospect of concentration in the accountancy market, suggests that the Monopolies Commission should now be put to work.

Mr Shamir's conditions

THOSE IN the Middle East who were sceptical from the start about the peace initiative launched by the Israeli Government in May will have found ample support for their views this week.

On Wednesday night, Mr Yitzhak Shamir, the Prime Minister, nearly doomed his Government's plan for elections in the occupied West Bank and Gaza Strip to failure by agreeing to attach palpably unacceptable conditions. With the angry reaction to yesterday's fatal bus crash on the Tel Aviv-Jerusalem highway, evidently caused by a Palestinian extremist, the desire on the part of Mr Shamir's Likud Party to close ranks around a hard-line position on the future of the territories can only have been reinforced.

The US, which has been trying to establish terms under which elections might be held to choose Palestinian representatives for talks with Israel, is thus faced with some hard decisions about where to go from here – not least concerning how to deal with an Israeli Prime Minister who has undermined its current Middle East diplomacy.

Wednesday's Likud Party central committee meeting also raises questions about the future of the National Unity Government in which Mr Shamir agreed again to share power with Labour last December. If, as seems likely, the peace initiative now falters, Labour will have to consider quitting the coalition and facing the electorate with a real choice about the prospects for Arab-Israeli peace.

Areas of ambiguity

Until Wednesday, the Bush Administration had been working to entice Israel and the Palestinians into a dialogue based on the Shamir Government's election plan, rather than seeking to impose any designs of its own. Mr Shamir, backed by his Labour Defence Minister, Mr Yitzhak Rabin, had apparently been playing along. Their agreement to disagree on the possible shape of an eventual settlement had left areas of ambiguity for negotiation.

This week's Likud central committee meeting has put an end to all that. Hard-liners, led by Mr Ariel Sharon, the Trade and Industry Minister, have succeeded in tying Mr Shamir and his party colleagues to conditions which will make it much harder for the US to put a positive gloss on the election plan, and much easier for the Palestinians to reject it. The Palestine Liberation Organisation will not be under much international pressure to endorse an election plan which excludes the Arabs of East Jerusalem from voting, which entails no easing of the Israeli military presence in the territories, and which encourages Israelis to continue settling there.

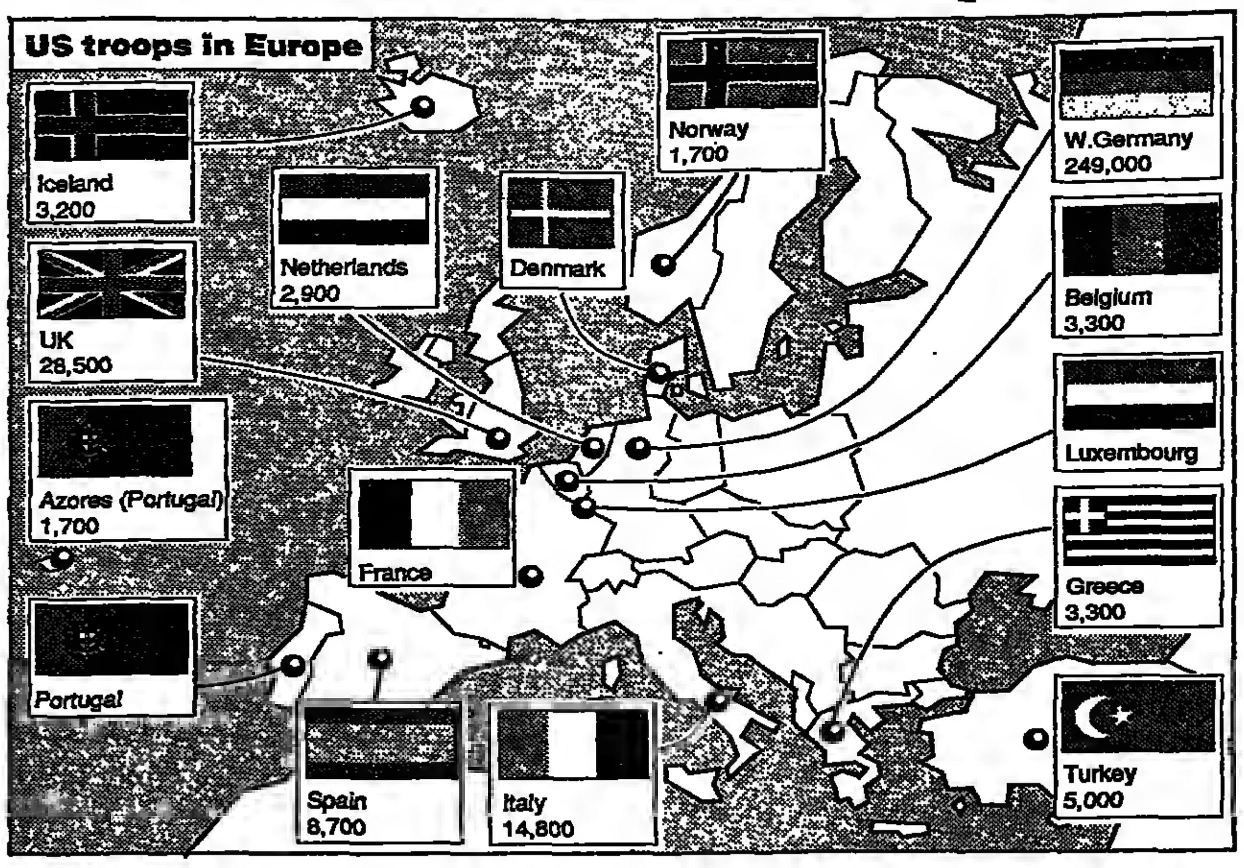
Right-wing concessions

Mr Shamir's concessions to Likud right-wingers should not have come as a surprise. He is, after all, a true believer in hanging on to the occupied territories as part of Greater Israel. In vowing to crush the Palestinian uprising before embarking on a peace process, unequivocally to rule out an independent Palestinian state, and never to yield an inch of the territories, he was merely following Likud manifesto commitments.

At the same time, the Israeli Prime Minister cannot have it all ways. He cannot preside indefinitely over a National Unity Government while adopting a rigid stance that is espoused by only one of his cabinet colleagues from a party that polled almost as many seats as did Likud in last November's election. He cannot pretend that his peace initiative is the answer to Israel's public relations problems while insisting unequivocally on an outcome which is acceptable neither to the Palestinians nor to the international community. It is less than two months, after all, since Mr James Baker urged the Israeli Government to "forswear annexation" of the occupied territories in critical tones not heard before from a US Secretary of State.

To say such things is one thing; to adopt a peace strategy obviously at variance with that espoused by the Israeli Prime Minister quite another. But in the light of this week's Likud decision, Mr Baker may well find himself in such a position, and given current changes in US public opinion, he may find it easier to sustain than did some of his predecessors.

David White examines pressures on the US to reduce its forces in Europe



Between cuts and burden-sharing

WHAT is the future of the US military commitment in Europe – how many troops and for how long? The question is coming sharply into focus, but not at all to the way European defence officials were anticipating last year.

The prospect, or threat, of unilateral withdrawals of US forces, as opposed to negotiable cuts put forward as part of an allied platform, has receded. On the other hand, European governments have expected such cuts, if they came, to be quite small. The view now from Washington is that deep cuts in US strength, going further than President Bush's proposals in May and implying a re-working of the way Nato operates its forces, no longer seem far-fetched.

Mr Bush's initiative brought US troop reductions into the orbit of the conventional arms talks taking place in Vienna between all the members of Nato and the Warsaw Pact. By extending the scope of the West's proposals to stationed troops and air power, and by setting an ambitiously short timetable of six months to a year, it also strengthened the credibility of the negotiating process. This had already been bolstered by Moscow's readiness to accept drastic equipment cuts more or less in line with target figures laid on the table by Nato.

The Bush proposal staved off congressional pressure at home for one-sided, cost-saving troop cuts by offering the prospect of cuts by another path. Reducing US army and air force personnel in Europe by 30,000 to 275,000 would be tied to Moscow's willingness to cut its strength in eastern Europe by more than half, even after the unilateral withdrawals announced by Mr Mikhail Gorbachev.

Pleas on Capitol Hill for US unilateral withdrawals have since subsided. No significant congressional initiative in such a direction is expected this year. But Administration officials, politicians and military analysts in Washington are already looking to the next stage of reductions, beyond an initial Vienna agreement.

Senior White House aides say that if a first-stage conventional arms treaty is agreed and the political relationship with Moscow continues to improve, then the US will not stop there.

In the rushed preparation of the Bush proposal, designed to salvage the Nato summit at the end of May, a larger cut of 75,000 troops was initially floated, before pressure from the Joint Chiefs of Staff trimmed the figure to 30,000. But the Administration went ahead with presenting what was a 10 per cent reduction as 20 per cent "of combat manpower."

Congress can be expected to try to ensure that the US gets a bigger share than its allies of whatever cuts are allocated through the Vienna process. For the first time, an arms control process is being looked at in the US from an economic angle. Current proposals could save less than might appear, and would be offset by the cost of monitoring a complex treaty. Independent experts reckon cutting 30,000 troops would save no more than \$1bn-\$1.5bn in operations and support costs, out of a \$300bn annual defence budget.

In the absence of an official medium-term plan, one has been provided by Gen Andrew Goodpaster, former Nato supreme commander in Europe, former superintendent of the West Point military academy and chairman of the Atlantic Council, an independent body. His proposal, made in April, was for Nato and Warsaw Pact ground and air force strengths at 50 per cent of current Nato levels, with US troops in Europe likewise reduced by 50 per cent. Both sides would also pull back tanks, armoured troop carriers, artillery and bridging units behind defined zones, wider on the Soviet side than Nato's because Nato has less space, with its back to the ocean.

"I have been assured since that the proposal that President Bush made does not preclude the possibility of further steps at a later stage," Gen Goodpaster told visiting journalists recently.

Some adjustments may be made outside the Vienna framework. The US already plans to pull back some of the troops assigned to cruise and Pershing missile bases in Europe, redundant now that the missiles are being eliminated. It will continue to be pressed to bring more home, and could do so without affecting military capability, although it is unclear how this would fit in with the negotiating stance.

> **For the first time arms control is being looked at in the US from an economic angle**

The proposed defence budget for the 1989-90 fiscal year defers any big change in the US force structure. But senior Administration officials see no sense in cutting equipment without cutting manpower. The previous Secretary of Defence, Mr Frank Carlucci, warned that without 2 per cent real annual budget growth, troop levels would have to suffer. His successor Mr Dick Cheney starts out without the 2 per cent.

Behind the push for bigger, longer-range cuts lurks rumbling political sentiment about the European defence burden and the share of it America carries. In a foggy way this is tied in with trade issues and interpretations about the import of the EC's 1992 process for transatlantic relations. Europe-bashing, like Japan-bashing, makes good political rhetoric.

The US devotes almost twice as much as Europe to defence. Senior Defence Department officials point out that if the US were to spend 3 per cent of GDP like West Germany, instead of 6 per cent as it does, it would wipe out its federal budget deficit.

Basing troops in Europe is estimated to add between 10 and 15 per cent to the US defence bill. But if the cost of paying and equipping those forces is included, up to 60 per cent of the US military budget can be counted as being Europe-related.

One result of the Bush initiative is that US and Soviet foreign-based troop levels are henceforth formally linked. The more Soviet forces are pulled out of eastern Europe, unilaterally or otherwise, the more pressure there is likely to be for US forces to come back.

From a European viewpoint, the key point about having American troops is that that the US would be directly engaged at the outset of any conflict in Europe. The worry is that that once withdrawal starts, Nato could begin to lose its raison d'être.

On the other hand, Mr Bush is evidently not out to rock the Nato boat. Senior officials describe the proposals as early steps and a long way from any sort of disengagement. They rule out a "zero zero" solution whereby, in exchange for Soviet forces withdrawing to the European part of the Soviet Union, US forces would be pulled back wholesale to the other side of the Atlantic.

No US President since the Second World War has given such a long-term commitment, aides say, as Mr Bush did in his speech at Boston University in May, when he promised that the US would stay in Europe as long as Europe wanted it to. But that still begs the question: at what levels?

Attempts can be expected to be made in Congress this year to make defence authorisation and appropriation bills contingent on European burden-sharing efforts. A panel led by Colorado Congresswoman Mrs Patricia Schroeder last year stopped short of wielding the threat of troop withdrawal, but implied that it would be considered if the 1990s saw no fundamental changes.

> **If the US spent 3 per cent of GDP instead of 6 per cent it would wipe out its budget deficit**

The most vocal campaigner on this issue in Congress, Mrs Schroeder favours as a next step the pulling back of close air support forces whose training has come up against popular opposition in West Germany. Nato, she argues, "is not like an entitlement programme . . . It's becoming less in our interest to be there when you figure what it's costing."

The burden-sharing lobby is now focusing on the plan to re-base the US 401st Tactical Fighter Wing, due to leave Spain at Madrid's demand, in Italy. Nato has agreed to take the \$800m cost out of joint infrastructure funds, but Mrs Schroeder claims the US would end up paying 60 per cent. She says: "There won't be a dime." With strong opposition being mounted in the Senate, it will be difficult for the US Air Force to keep the F-16 fighters in Europe.

The US maintains half a million men abroad, 65 per cent in Europe, half in West Germany alone. Their reception in host countries varies, and not infrequently they have become a bone of political or – in the case of Spain and Greece – international contention.

Public opinion polls in the US show no clear majority view about whether to bring troops home. Support for Nato remains strong. Most Americans favour coming to the defence of Europe. Incidents in which European allies are perceived as letting the US down – such as lack of support for the 1986 US bombing raid on Libya – make an intense impact, but it does not last long. The idea seems firmly implanted, not so much that the US is spending too much on defence, but that Europeans should spend more.

But in Congress, any possibility other than a sharp revival of East-West tension seems to point to more pressure for US reductions in Europe. If the Vienna talks go well, the case will be based on a lessening of the Soviet threat. If they go badly (most people think the Bush timetable is at best highly optimistic), there is likely to be more argument about burden-sharing, especially if disagreements within Nato are blamed for blocking progress in the negotiations. Mr Stanley Sloan, a security expert at the Congressional Research Service, says Congress would then press for unilateral manpower cuts to unblock the talks and save costs.

Further East-West reductions beyond what Nato is now proposing, say 25 per cent, as the Warsaw Pact has already suggested for a second stage, would pose a series of problems for Nato:

- The distribution of cuts. The Allies are already struggling this summer over how to share out the reductions proposed for army equipment and aircraft. For the Europeans, more drastic moves could jeopardise the viability of some smaller services, and would require much closer defence co-operation, possibly specialisation of roles, although top Nato officers are chary about that.
- The role of nuclear weapons. At least in the US view, they would be needed more than ever to maintain deterrence. Administration officials warn that the US commitment to Europe will become more difficult if short-range nuclear forces – the subject of Nato's bitter row earlier this year – are rejected by allies.
- *Military doctrine.* "Forward defence" – an imperative for West Germany – could be maintained, experts say, but would have to be conceived differently. Nato would need to concentrate on mobility and flexibility, its ability to fall back and absorb an attack, and its capacity to build up strength again.

The US service most affected by cuts would be the army; the air force less so. Both are primarily geared to European missions. Some in the US also seek a trimmer US Navy, but deep cuts in land forces would place much more emphasis on the maritime role: more sealift and naval escort capacity to guarantee rapid reinforcements and supplies. Officers at Nato's Atlantic command base at Norfolk, Virginia, say US naval bases would continue to be needed in Europe.

Towards the end of the century, then, the US could be shifting back towards its traditional role as a maritime power. The Constitution of 1787 clearly saw this as the country's military vocation. It made it Congress's job to "to provide and maintain a Navy," but only "to raise and support armies."

OBSERVER

Orbital not mobile

■ The idea of making millions through renting mobile phones is the stuff of which yuppie ambitions are made. This week, Stephen Morris, a fast-talking, good-looking 24-year-old looked set to live the dream when he brought his cellular phone company, Orbital Communications, to the Third Market.

However, the plans have been shattered. Yesterday Orbital cancelled its flotation, blaming "market conditions and adverse press comment."

The rumpus was provoked by a measured, but sceptical piece in the Investors Chronicle and some highly critical articles in the Daily Mail, both of which highlighted Morris's turbulent career.

This started with a brief sojourn at university at the youthful age of 16. He dropped out after being offered a job in the City at the controversial futures broker, LHW. Morris then became sales director at Empire Futures, which subsequently failed to get regulatory approval. Deciding that he "could sell a lot more cellular phones than futures contracts with far less repercussions", he switched tack last year and set about renting car phones to corporate customers and car rental companies.

Unease about Orbital has not been solely directed at the experience of its young managing director, which was in any case partly offset by the presence of its deputy chairman, Charles Hoare – currently deputy chairman of Robert Fraser. The IC concluded that the foundations of the company were "pretty rickety" and the Daily Mail considered that "Morris wants far too much for far too little".

"We do not make our investment decisions on the Daily Mail," said John Alexander of Touche Remnant dryly. None the less, the publicity caused some nervousness amongst market makers and underwriters about how the issue would go when trading started. "We felt it would be unfair on the institutions and short sighted for our careers to go ahead" says Morris. He says he already has alternative financing lined up to raise £3m through a private placing.

Flag of revolt

■ A keen-eyed merchant banker points out that an unusual ensign is being flown as the Tall Ships gather in the Pool of London. On a very modern, possibly fibre glass, two-masted schooner is a flag in yellow, green and red – the colours displayed horizontally. It is unmistakably the standard of independent Lithuania.

Gerry who?

Late night tennis addicts must have noticed the growing profile of Gerald Williams, the zany co-presenter of BBC's Wimbledon coverage who rides to work on a tandem without a passenger. So who is he?

The grey hair, the grin, the occasional manner of a family doctor and some wacky exploits before the cameras in SW19 do not disguise a lifetime spent in professional journalism. London-born, but Welsh educated – at the Queen Elizabeth Grammar School, Carmarthen – Williams learned his trade on the Croydon Advertiser, the Leicester Mercury and the South Wales Echo, purveyors of all things provincial.

After a stint as a football writer and tennis correspondent on the Daily Mail, he joined ITV commentating on those sports. He also helped promote tennis for the Lawn Tennis Association and was the first to take tennis to London's Albert Hall.

"It's rather depressing – we haven't been targeted by the engineering unions."

A founder of Christians in Sport, Williams has written a book about his faith called *A Whole New Ball Game*. He also supports Crystal Palace football team. He is now 60 and getting better all the time.

Thatcher prize

■ Margaret Thatcher has a new admirer. Wolfgang Kartte, the president of the West German Cartel Office, has nominated her for the annual Ludwig Erhard Prize for the promotion of economic understanding.

In his letter of recommendation, Kartte writes that Thatcher is often held – wrongly – to be a "bad European". In fact, he says, she tries to use market-oriented policies to ward off economic planners "who want to forge Europe with a crowbar. Anyone, like her, who warns of exaggerated centralisation, bureaucracy and regulation is a good European."

Previous winners of the prize include Raymond Barre, Karl Schiller and my colleague, Samuel Brittan. Thatcher will not be joining them quite yet, however, since the rules of the Ludwig Erhard Foundation state that active politicians are *ineligible*.

Whom to blame

■ The evidence is entirely anecdotal, but apart from Government Ministers I have not heard anyone blaming the current spate of transport strikes on the unions. There is a tendency to wonder if the management is good enough, especially on the London Underground. But for the rest there is an air of bewilderment, even fatalism. Why do the strikes recur? Why does no-one try harder to bring the parties together? Why is transport so awful even on days when there are no strikes? My hunch is that in the end the Government will suffer for it.

The old firm

■ A new and slightly sinister-sounding combination is beginning to strike for Leicestershire County Cricket Club: caught Nixon, bowled Agnew. Both Warwickshire opening batsmen fell to it on Tuesday and Lancashire were also troubled by the partnership on Wednesday. But do not worry: it may not last. Nixon is simply standing in for Leicestershire's normal wicket-keeper, and may soon be standing down.

Careful

■ Some apparently alarming developments in health care. The authorities in Harrow, Middlesex, have put a large sign outside Northwick Park Hospital telling passers-by: "Danger, Hospital". At Barts in the City, sandwiched between signs for Radiography and Nurses' Home, is . . . Butchers Hall.

صكرا من الاجل

POLITICS TODAY

A summer of frustration

By Joe Rogaly

The British Government is going through one of those periods in which practically everything it touches turns to dross. The Prime Minister's constant reminders of the 1979 "winter of discontent," which very nearly killed off the Labour Party, are beginning to sound both stale and irrelevant. Labour governments made a terrible mess of the late 1970s, but that is behind us now. The messes of the 1980s are the achievements of Mrs Margaret Thatcher's administration alone. The double-digit inflation caused by the profligacy and financial incompetence of Labour administrations of 1974-79 was dreadful, but it neither explains nor excuses the resurgence of inflation – steadily approaching double digits – under the Tories.

Her arguments from what is becoming ancient history cannot explain the current rash of public sector strikes, which has broken out under Tory legislation. There may well be strong knee-jerk commuter support for a bill that outlawed strikes on the railways or in the civil service, but it could be short-lived. It is not even certain that the railway stoppages, which have hurt the south-east most, are yet turning away Labour Party supporters although experience suggests they might if they go on for long enough. The Government therefore appears to have decided to tough these strikes out, which is sensible on economic grounds.

The politics of the matter are more complicated. The railwaymen may win some sympathy by stressing their willingness to go to arbitration. Nearly everyone except Mr Nigel Lawson, the Chancellor of the Exchequer, perceives that investment in public transport infrastructure is insufficient by continental European standards. Yet a few more weeks of serious inconvenience could lift the Tory rating in the polls.

Meanwhile a Gallup poll published in mid-week indicates that an overwhelming majority of the electorate mistrusts the Government's plans for reforming the National Health Service. Its bill to privatise electricity, which is still before Parliament, promises to be of a similar order of unpopularity. The bill to privatise water went through its final stages in the House of Commons this week, but four-fifths of the respondents to a recent poll are against it.

There are two basic reasons for this unhappy state of affairs. The first is that the Government is getting the economy wrong. The second is that it seems to be getting just about everything else wrong. The latter is potentially more demoralising than the former. Members of the Cabinet can live with the idea of mid-term blues brought about by an economic crisis; they are accustomed to that. The idea that several of the policies of the post-1987 stage of the Thatcher revolution are in themselves unacceptable is harder for a mature and still fundamentally self-satisfied Government to comprehend.

As one senior Minister put it the other day, "inflation has returned, mortgage rates are high, and interest rates are higher. When the economy is going badly everything is seen to be going badly. When it starts going well again, we'll start looking good again." He stands a fair chance of being right, but he cannot be sure. That is why so many rank-and-file MPs are talking of a period of consolidation.

This is more easily demanded than provided. For several great immediate causes of unpopularity are likely to be with us for some time yet.

Take the NHS. Here the Government has fallen into a trap of its own making. This has little to do with the merits of its proposals for reform, which are considerable, but rather more to do with the handling of the case. It was silly to get into two arguments with the doctors at once – one about their pay and contracts and another about reform. It turns out to have been unwise to appoint two pugnacious ministers, Messrs Kenneth Clarke and David Mellor, to present the arguments. It was particularly inept to underestimate the fighting strength of the British Medical Association, which has shown powers of political organisation that must make a battered Conservative Central Office extremely envious.

Now all the mistakes have been made and the Government must face the music. Option one is a humiliating climbdown; option two is to go ahead with a (compromise?) bill in the autumn. So far they are still stuck with option two.

Then there is the bill to privatise electricity. The central error was made when the Prime Minister briefed her Energy Secretary, Mr Cecil Parkinson after the 1987 general election. Go ahead, said she, and include the nuclear industry in the privatisation. "Are you sure?" asked Mr P. "Yes Cecil," was the reply. The beneficial result is that the horrendous costs of Britain's existing nuclear generators are now being exposed for the first time, partly as write-offs, partly as excessive running costs, and partly as projections of future decommissioning costs.

The political outfall is not so welcome. These bills have to be met by someone, as the Energy Secretary keeps telling the Treasury and anyone else in sight. If they are kept in the public sector, that will be a liability to deduct from the proceeds of the privatisation. If they go with National Power, the larger private generating company, that will reduce the price and the proceeds. Heads the private investor wins, tails the taxpayer loses.

Mr Lawson does understands this. His natural inclination, as one of the few free-market true believers in the Cabinet, would be to so arrange matters that private companies took the managerial responsibility, even if that meant a lower price for the shares, further lowered by a heavy subsidy from the Exchequer. This way the private sector, which is thought by both Mr Parkinson and Mr Lawson to be inherently efficient, would clean up the mess – and more British voters would become shareholders. It would, however, enable the Labour Party to point out that the taxpayer is taking all the risks.

Then there is the green factor. Environmentally-minded voters do not like nuclear power. Mr Nicholas Ridley, Secretary for the Environment, seems to have proposed that a fossil fuel tax be imposed, with the proceeds paying for the nuclear sector. Since the odds are that there will be a tax on carbon dioxide emissions in the European Community before too long, this would be a step on the way. Mr Ridley's argument came up against the counter-proposition that people would see it as a device to equalise nuclear and non-nuclear costs by artificially increasing the latter. The nuclear levy will therefore be imposed on all electricity users, irrespective of the fuel used.

This is also a gift to the Labour Party, but at least it should have the environmental merit of increasing the price of electricity. (Mr Lawson is fond of arguing that the most environmentally powerful event of the post-war era was the increase in the price of oil to $30 a barrel.) The political damage, in a year of rising Greens, lies in the cast of mind of some of the Government's middle-aged ministers. When Messrs. Parkinson, Lawson and Ridley were growing up, greens were something you had to eat before you got your pudding. Mr Parkinson is a businessman, unable to see much sense in rubbishing the existing industry at the same time as he is promoting its sale. He is scathing about those who propose both cheaper electricity and, at the same time, an increase in the budget for promoting its efficient use; he has a point there. Nor, to him, does it make sense to compel people who will run companies that depend on electricity sales to invest in energy-saving projects.

All this runs slap-bang against current mainstream environmental thinking, as shown by Tuesday's "urgent" interim report of the all-party Energy Committee of the House of Commons. It places the highest priority on energy efficiency as a means of reducing noxious emissions that contribute to the greenhouse effect. It speaks for the politics of the coming decade.

Water privatisation will also return to haunt the Tories. The many flaws in the legislation have been well rehearsed over the past few weeks. The likely quarrels over water purity and EC legislation have been widely anticipated. I would remind you of one further Green trap. Water, like nuclear power, is a clapped-out industry in need of enormous injections of capital to put it right. Some can come from the higher prices that will follow privatisation, but much will come from the sale or exploitation of surplus land. There are now protections in the bill that might prevent the future water companies from being overly rapacious, although Ministerial consent is a fickle safeguard. I predict local newspaper headlines about water companies covering over this or that favoured country retreat with chalets or theme parks. The voters may remember who is to blame.

It is little wonder, then, that all the talk nowadays is about an election in 1992; any earlier date is beginning to look too soon. Before going on, I should warn you that whenever I talk of Cabinet reshuffles my imagination plays a strong part in what I say. This is because the same can be said of my informants, be they ever so powerful in their own departments. The Prime Minister says something between very little, and nothing at all, right up until the day she makes her announcements; only one or two very close confidantes could honestly claim to know better.

So here's guessing. Expect a reshuffle at the end of this month, with a few relatively "ordinary" changes – Ridley to Industry, Major to Transport, Baker to Chairman of the Party, a surprise to Environment, a clutch of young right-wingers put on the lower rungs for the first time. The Conservative managers would then let commentators conclude that the big pre-election reshuffle is for next year. We should know before this frustrating summer is out.

Arise, Sir Alan of the US Fed

Greenspan should be knighted, writes **David Hale**

ONE OF the interesting questions raised by Buckingham Palace's decision to confer knighthoods upon former US Defence Secretary Caspar Weinberger and President Ronald Reagan for services to Britain is when Her Majesty will bestow such an honour upon Alan Greenspan for his services as Monetary Lord of One Fifth of the British Commonwealth and Empire.

As chairman of the American Federal Reserve Board, Mr Greenspan is not merely the world's second most important economic policy-maker after the Japanese finance minister. As a result of exchange rate pegs with the US dollar, he is also the *de facto* central bank governor of several of Her Majesty's other realms and territories, including Antigua and Barbuda, the Bahamas, Barbados, Bermuda, Belize, Cayman, Dominica, Grenada, St Kitts and Nevis, St Lucia, St Vincent, Trinidad and Tobago, the Turks and Caicos Islands and Hong Kong.

In the past, Washington took little notice of the fact that the Federal Reserve was freely dispensing monetary policy to other countries. But with the US increasingly crippled by a large external debt and insecure about her future place in the world, there would be numerous advantages in using the royal prerogative to honour those American officials still able and willing to sustain the burden of empire.

First, royal recognition of the Fed's international responsibilities would prevent international monetary relations from getting entrapped in Washington debates about burden sharing. With numerous congressmen now demanding that America's allies pay her a defence subsidy, it is only a matter of time before the US Treasury asks dollar-pegged countries to pay a "rental fee" for the importation of American monetary policy.

Second, the conferring of a knighthood upon *Mr Greenspan* would set an important precedent for using "positional goods" to compensate senior American civil servants for the 50 per cent decline in real pay which they have experienced since the Republican ascendancy in US politics began 20 years ago. Congressmen have circumvented the pay freeze through speaking honorariums, but morale in other agencies is so bad that one Federal Reserve governor recently resigned in protest of his low salary, while the Bush Administration is finding it difficult to recruit competent technocrats. Nor should the Palace be content with ensuring that the spouses of future Federal Reserve chairmen be "Ladies". Countries with dollar *links* also should advertise their status as monetary mistresses of the Federal Reserve by printing banknotes with a picture of Sir Alan seated among the other Fed governors (OBEs) and district presidents (MBEs) in the parlour where monetary policy for America and much of the Commonwealth is formulated.

Finally, the revival of Commonwealth titles on the eastern seaboard of the US would be a potentially useful antidote to America's growing paranoia about the rise of Japanese economic power. With Japanese companies now dispensing cash in Washington on as grand a scale as the Recruit Cosmos company once passed out shares in Tokyo, it is only a matter of time before Emperor Akihito starts conferring knighthoods upon American policy-makers. It would be more reassuring for America's self-confidence if its civil servants could be uplifted from their genteel poverty with flattery and favours from the poor old mother country rather than a nouveau riche Emperor whose palace now has a market value in excess of California's.

More knighthoods for American civil servants should not mean fewer honours for other countries' public officials. In fact, by assuming a quiet but potentially effective consultative role in the conduct of international monetary relations, Europe's oldest monarchy could help to smoothe the way for Europe's oldest central bank to slip with grace and dignity into the embrace of the European monetary system. There is a natural reluctance at 10 Downing Street to link the pound to a European currency basket dominated by Germany. But monetary union with Europe might be more emotionally acceptable if German central bankers did not just speak English, but also had more Anglo-Saxon sounding names. As a result, the Queen should not merely confer upon Mr Greenspan titles which more fully reflect the global scope of his responsibilities – Knight Bachelor of the British Empire, Monetary Lord of Her Majesty's Caribbean Realms and Territories, Defender of the Hong Kong dollar. At the moment when it finally becomes appropriate for the Bank of England to take its monetary vows with the Bundesbank and Europe, Her Majesty should send for Karl Otto Pöhl.

The author is Chief Economist at Kemper Financial Services in Chicago.

LETTERS

Qualifying as a charitable object

From Ms Usha Prashar.

Sir, Michael Prowse ("A supine policy on charities," June 29) reveals an extraordinarily narrow understanding of charity, while attempting to argue for modernisation of its definition.

Relief of poverty, which he argues should be the basic test of charitable status, is only one – albeit very important – area of legitimate charitable activity.

In particular, he appears to believe that public schools are the only educational charities; in fact they constitute a tiny minority, overwhelmingly outnumbered by organisations whose activities range from promoting museums, art galleries and psychological healing, to running day nurseries, toy libraries and student unions.

Such a list is almost endless. If relief of poverty were accepted as the basic test, not only would many important environmental and animal charities be excluded, but the system would lose the flexibility which has allowed, for example, the recent addition of the promotion of good race relations to the list of charitable objects.

Michael Prowse sees a handful of admitted anachronisms as a fatal flaw in what is a fundamentally sound system of charity law. Thankfully the Government has, so far, refused to fall into that old trap.

Usha Prashar,
National Council for Voluntary Organisations,
26 Bedford Square, WC1

A good performance that could be even better

From Mr Glenn Hoggarth.

Sir, I was interested to read Andrew Snell's article ("The export consequences of Mrs Thatcher," June 28) on the UK's recent export performance.

He outlines the results of his research which explains why, in the period since 1981 – unlike previously – UK manufactured exports have increased in line with world trade. Because there has been little change in the relative price of UK goods the likely explanation for this improvement, as Mr Snell makes clear, is a better non-price performance of UK exports.

It is certainly encouraging that the UK manufacturing sector is now both leaner and fitter than it used to be – but also, unfortunately, the sector is now much too small to pay for our manufacturing import bill.

The UK share of world trade appears to have stabilised – but at a record low level. At the same time manufacturing imports have more than doubled during the 1980s.

Disturbingly, there is no sign of a structural improvement in the UK import position. Only part of the import surge has been caused by the buoyancy of the UK economy – import penetration has risen continuously.

The upshot is that we need to do more in future than simply to maintain our share of world manufacturing. Even with a likely slowdown in import growth our share of world trade will need to rise by about two percentage points to make good the deficit in UK manufacturing trade. If this could be achieved then we could really start talking about an economic miracle in UK exports.

Glenn Hoggarth,
Chief UK Economist,
The Henley Centre,
2-4 Tudor Street, EC4

Delighted to be a sponsor

From Mr Stephen Auty.

Sir, We were pleased to see Antony Thorncroft's article on arts sponsorship (June 5) which raised two interesting questions about the MI Group's successful sponsorship of Carmen at Earls Court.

Did Carmen, "the show biz event of the summer," actually need sponsorship? Did we at the MI Group get value for our backing (part of a three-year programme)? The answers have important implications for UK arts sponsorship generally.

It is obvious that productions similar to Carmen are high-risk ventures, with production costs alone amounting to over £3m. With guaranteed ticket sales, or government subsidies, it is necessary for the organisers of such productions to obtain a big sponsor.

The reported £300,000 spent by MI Group on Carmen is part of a total sponsorship package spread over three years, estimated at £500,000 – including the similarly spectacular Aida last year. Compared with the £5m being spent by Mitsubishi in Japan to stage and promote Carmen alone, this represents good value for money.

The investment which the MI Group has made to date has paid for itself many times over. It is a small price to pay for the significant amount of name awareness generated by the very high profile promotional campaign, television coverage and public relations.

In addition, we used the sponsorship opportunity to develop our relationship with our 300,000 clients via special ticket promotions. Corporate entertaining gave the MI Group a further opportunity to build upon existing contracts and establish new ones, and to impress on opinion leaders and potential partners and senior recruits the scale of our business.

Our aim was also that the MI Group become thought of as an innovator and a leader associated with bringing opera to a wider audience. The letters we have received from the public following the production indicate that the event was extremely successful in this respect.

Indeed, even the Financial Times acknowledges Carmen as "becoming the biggest sponsorship bandwagon ever." Not bad for a venture by a company 19 months old. Mr Thorncroft may not know exactly what we do, but the millions of people who saw Carmen live or on television know the MI Group name and that it is an important financial services company. Objective achieved. Consequently we are delighted with our sponsorship of Carmen, and look forward to our involvement in a third production next year.

Stephen Auty,
MI Group,
91 Wimpole Street, W1

Fair and friendly

From Mr D.H. Wilkinson.

Sir, Your recent reports on the problems faced by two friendly societies, the Fleet and Time Assurance, perhaps do not make clear the fundamental difficulties faced by the movement as it attempts to compete in a financial services market increasingly dominated by the biggest players.

Friendly societies are governed by legislation enacted in mid-Victorian times. Apart from minor amendment, that legislation remains basically unchanged. Societies are unique within the financial services sector; they compete with other institutions, but are prevented from offering modern financial products, such as unit trusts and PEPs, by antiquated laws. The Financial Services Act 1986 applies to friendly societies as it does to the largest insurers – societies' costs are thus disproportionate.

For three years we have been urging Treasury ministers to modernise the legislation which governs us so that we may compete with others on an equal footing. We do not seek protection or privilege, merely fairness and equality.

In April, Mr Peter Lilley, the Economic Secretary to the Treasury, announced in the House of Commons that a Government review into the legislative position of friendly societies was under way. This review was instigated last autumn, after Mr Lilley received from the friendly societies a formal request for an overhaul of the law. Such reform must allow societies to form subsidiary companies to conduct the wider range of business engaged in by their competitors. We believe a subsequent Parliamentary Bill, while quite complex, would not be politically contentious and could therefore take relatively little parliamentary time.

There are 400 or so friendly societies, with 7m members. The movement has a long record of encouraging thrift and self-reliance throughout society. Its potential now, as the burden on the UK welfare state continues to increase, is considerable. It should not be left to waste away because of a lack of political will.

D.H. Wilkinson,
The National Conference of Friendly Societies,
Southampton Row, WC2.

FINANCIAL TIMES
Friday July 7 1989

East and West Germans in joint anti-pollution drive

By David Marsh in Bonn

THE West German Government is to share with East Germany the cost of a three-year programme to reduce air and water pollution, under an agreement signed by the two countries in Bonn yesterday.

The accord, hailed as a "breakthrough" by Mr Klaus Toepfer, the Bonn Environment Minister, represents the most important example so far of East-West environmental co-operation.

The two sides have pledged to carry out and co-finance six joint projects. These include the introduction of cleaner coal-burning technology in East German power stations, establishing an incinerator for *East German pharmaceutical* residues, reducing chlorine and mercury pollution in the Elbe and Saale rivers, and jointly combating smog along the East-West German border.

West Germany is to spend DM300m ($160m) on the projects over the next three years. The East Germans will put up 470m East German Marks (equivalent to about DM120m).

The aim is to cut the burden on both countries of pollution stemming from East Germany. The measures form part of what both sides call *progressive "normalisation"* of relations since the visit to the Federal Republic in September 1987 of Mr Erich Honecker, the East German leader.

A particular objective is to encourage East German industrial concerns to convert to more environmentally friendly technology. Two pilot projects will be concentrated on the petrochemical works at Buna near Leipzig, the centre of a notoriously polluting industrial region.

Leading West German companies in environmental technology – where groups such as Deutsche Babcock, Thyssen and Hoechst all have important activities – appear likely to be involved in the projects. Participation will be decided according to tender offers which are to start soon.

The agreement was announced yesterday at a joint press conference between Mr Toepfer and Mr Hans Reichelt, the East German Environment Minister. Mr Reichelt pointed out that technology would be flowing in both directions, not only from West to East.

He stressed that a number of East German environmental technology licences had been acquired by West German concerns. Under evident pressure over East Germany's poor environmental image in the West, Mr Reichelt declined at first to answer a question on his country's reputation as a pollnter, although he produced a number of defensive statistics.

African plan challenges IMF line

Michael Holman examines an analysis of the continent's problems

A DOCUMENT which attacks Africa's "pervasive lack of democracy" and argues for "more democratic political structures to facilitate development", seems an unlikely product of the continent's UN-funded economic think-tank.

It is also surprising, given the source, to read a critical commentary on the fact that developing Africa spent less on education than on the military in the mid-80s. Or that annual public expenditures on health have accounted for less than a third of military outlays.

Yet these are among the sentiments that underpin a new economic recovery programme for Africa which challenges the policies of the International Monetary Fund (IMF) and World Bank, launched in London yesterday.

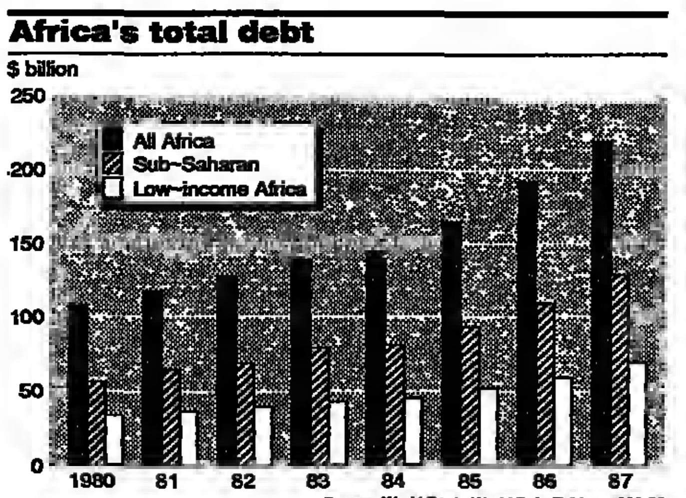
The architect of the document – African Alternative Framework to Structural Adjustment Programmes, endorsed at a recent meeting of African finance ministers – is Professor Adebayo Adedeji, executive secretary of the United Nations Economic Commission for Africa (ECA), based in Addis Ababa.

"Africa has been very candid about the nature of its problems," said Mr Adedeji at his press conference. But he went on to be equally candid about what the ECA sees as a failure on the part of the world's leading lending and development institutions.

Painting a bleak picture of a continent in continuing decline, he went on: "It has now become apparent that the orthodox structural adjustment programmes that Africa has been pursuing have failed to overcome the economic crisis and in many cases have made recovery even more difficult."

The charge is the latest development in a long-running dispute in which the Economic Commission, other UN agencies such as UNICEF, non-governmental agencies such as Oxfam, and most African governments, are at odds with the IMF and the World Bank over how to respond to Africa's economic crisis.

Africa's total debt



Source: World Bank, World Debt Tables, 1988-89


Prof Adebayo Adedeji: painting a bleak picture

Since the Fund and the bank control most available aid and development resources, the alternative programme stands little chance of getting off the ground in the short term.

But it provides an important indicator of the anger and frustration of many African governments, which maintain that although they have been implementing IMF and World Bank-inspired policy reforms, hardship is increasing, stability is being undermined, and capacity to service growing external debt is declining.

Among the measures the document advocates are multiple exchange rates, limits on debt service payment so as to allow more resources for development, selective subsidies and price controls, and cuts in defence spending and in non-productive public sector activities. It also recommends limited use of deficit financing for productive and infrastructural investments, differential export subsidies, and what it calls "greater mass participation in decision-making and implementation of programmes."

Above all, the document stresses the need for more consultation between governments and lending institutions, based on greater recognition that the continent's widely diverging economies are not susceptible to a single solution, and more effort to alleviate the impact of adjustment on Africa's poor.

The dispute over a suitable strategy took on a sharp note in March this year, when a World Bank-United Nations Development Programme report claimed that economic recovery in sub-Saharan Africa had begun. It said countries undertaking IMF-World Bank reforms were performing better than those that were not.

There was a sharp retort from the Economic Commission. Africa's condition had deteriorated ratber than improved, it said, and it accused the bank of selective use of data. But it also stirred up a hornet's nest within the bank, where many staff members and consultants share the concerns of their critics.

The ECA document launched in London yesterday comes as a carefully considered rejoinder to that contentious bank report.

It attacks some of the key tenets of adjustment policies in Africa as either inappropriate, or applied withont sufficient consultation and flexibility.

- Exchange rate policies – which invariably involve substantial devaluations – do not take proper account of the fact that most African economies depend on primary product exports subject to quotas, and sold at prices externally determined, says the ECA.
- Trade liberalisation "is not feasible in view of the protectionist practices of industrialised countries, and also because of the adverse effects of foreign competition on infant industries in Africa."
- Privatisation in Africa is based on "the incorrect assumption that the indigenous private sector is strong enough to take over state enterprises."
- Tight credit policies usually lead to contraction in output; a sustained policy of tight credit "would lead to a reduction in the existing capital stock due to the inability to replace it."
- Interest rate increases may raise savings levels, but imperfections of the African capital markets "encourage speculative rather than productive activities" and fuel inflation.
- Pricing policies are based on the false assumption that markets in Africa are always competitive.

In the coming months formal and informal consultations among the protagonists will be continuing, in the search for the consensus that Mr Adedeji says Africa seeks.

US threat of action on oilseed against EC

By Tim Dickson in Brussels

TENSIONS whicb underlie transatlantic trade relations erupted again yesterday when Mrs Carla Hills, US Trade Representative, threatened to retaliate against what she called the European Community's "unjnstifiable and unreasonable" oilseed snbsidies regime.

The decision by Washington to step up the pressure over this highly sensitive issue – under a clause in the new US Trade Act which requires immediate "action" if the dispnte is not satisfactorily resolved within the next six months – was quickly and predictably condemned by the European Commission.

A statement issued in Brussels said that the EC executive "deplored the unilateral position taken by the United States", reaffirmed the EC's "committment to the proper functioning of the General Agreement on Tariffs and Trade", and emphasised "the importance of the Uruguay Round negotiations aimed at reinforcing the multilateral process". The Commission noted that the EC had already agreed to take part in a Gatt disputes settlement on the oilseeds question.

The significance of yesterday's developments is that the oilseeds issne has been chosen as the first test case for the newly toughened Section 301 of the Trade Act (to be distinguished from the specially fast track Super 301 procedures which have already been opened *against Japan, India* and Brazil).

The EC complained vociferously about the intended bilateral US approach to trade dispntes while tbe Bill was proceeding through Congress, inclnding the clanses which antomatically required Mrs Hills to trigger yesterday's formal investigation (and implied threat).

The complaint – snbmitted by the US Soyabean Association exactly 18 months ago – centres on the EC's production and processing subsidies on oilseeds and animal feed proteins. These are paid directly to processors on condition that they pay oilseed producers a minimum European price which at tbe moment is two to three times higher than thet on the world market.

The US says that these snbsidies have inspired a hnge increase in EC prodnction – from ronghly 2m to 12m tonnes over the last 10 to 15 years – thereby displacing American soyabean imports.

The subsidies, it is claimed, cnt across a Gatt obligation agreed by the EC in 1963 not to impose any dnties on US oilseed imports.

- Gov Terry Branstad of Iowa, visiting the European Commission yesterday with a group of governors from various US states, noted the disputes between the US and EC over agricultural issues, Renter reports from Brussels. He described tbe Community's ban on meat from cattle treated with growth hormones as "an improper and unfair barrier to free trade."

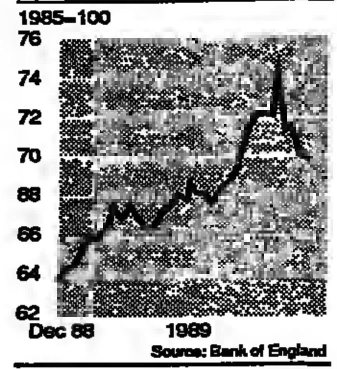
Mr Andriessen responded that the community's restrictions were non-discriminatory, applying to European produce as well as imports.

THE LEX COLUMN

No accounting for choice

Even ahead of today's US employment data, the markets are convinced that further Fed easing is imminent, and a cut in prime rates a foregone conclusion. If so, this could mark the end of the dollar's recent weakness, since it is just what the foreign exchange markets have been discounting.

Dollar Index



Source: Bank of England

Accounting

There can be no more striking instance of the recent *frenzy for consolidation than* this week's giant accountancy mergers. It is not merely that there will be little obvious benefit to the firms themselves, and none to their clients. More curious is the fact that these are businesses run not by salaried managers, who are naturally tempted by turnover, but by profit-sharing partners who ought to know better.

For companies and shareholders, the worry concerns not the consulting services which *the accountancy firms* offer – since these are available elsewhere – but tbeir monopoly function of auditing. A profession consisting of two or three giants would find it easier to push prices up, while perhaps offering a less differentiated service. And whereas a year ago, a big company seeking to change auditors would have had the choice of several firms not already auditing a competitor, this week's mergers might mean no chnice at all.

If the key to the mergers is the desire by accounting firms to operate across a wider range of services, that too is of legitimate concern to shareholders. Advice on tax planning, for instance, may come oddly from a firm whose job it is to audit the results. More important, the bigger the revenue a firm gets from an individual client, the less willing it will be to risk that revenue by asserting its auditing independence.

As for the profession's duty to develop accounting standards, it could be argued that the more global the firm, the more informed its approach to issues like goodwill, brand valnes and the rest. But that counts for little if the monolithic structure of the profession means there is no scope for debate.

Air Canada

Air Canada's shares have jumped by more than 50 per cent since the Canadian Government sold its first tranche of stock last November. So it is no surprise that it is taking advantage of the market's current love affair with North American airline stocks to dump the rest at C$12 a share. However, the international appetite for a politically sensitive stock which has considerable financing needs, and is facing an economic slowdown *in its main markets, is rather surprising*. Air Canada's prospective earnings multiple of 7¼ is not mnch different from that of KLM and British Airways, and they at least are paying handsome dividends.

However, Air Canada is being sold on the basis that since the demise of its main cut-price competitor, Canadian airfare wars are a thing of the past; and that anyway its assets are far more important than its earnings. The key here is its holding in GPA Group, the mercurial Irish aircraft leasing company, which is worth at least C$6 per share. This means that there is little fear of it having to tap its shareholders for funds to re-equip its fleet. That is a brave assumption, and very dependent on Air Canada doing the sensible thing and cashing in its GPA stake.

Water Authorities

The 10 water authorities are mnch better at justifying hose-pipe bans than explaining their own financial performance. Yesterday's press conference on their results for the last year before they are privatised was a rather pointless public relations exercise, and gave none of the information which the City wants before it passes judgement on what has been tagged as the most unpopular *privatisation issue* ever.

Although the commercial logic of privatising tbe UK water and sewerage business may be questioned, there is little doubt that the privatisation will proceed, and November 22nd has been pencilled in as impact day. Postponing tbe sale would cause considerable political damage to the Government, and this means that it will have to underprice tbe issue, by pitching the starting yield above 8 per cent, say, to ensure that the institutions fall in line.

At the moment the Government is still juggling with the three key pieces of information – the pricing structure, *balance sheet* and *capital spending* forecasts – which are essential before the issue can be assessed. Assuming that the pricing policy is sensible, the big worry for the City is that the authorities will bave to more than double their capital spending bill. Despite its keenness to sever its ties with the industry, the Government may have to provide some longer term assistance on this score.

Coalite

Anglo's improved but final terms for Coalite have put it within striking distance of emerging as North Derbyshire's coking colossus. But if it wins, the margin of victory will probably he small: and for all Anglo's business school rbetoric about refocussing Coalite, it is hard to see a union of two non-growth businesses, open-cast coal mining and smokeless fuel, as the stuff of which stock market fortunes are made.

Yesterday's increased bid has its weak spots. The partial share alternative may woo insurance companies whose capital gains tax liability lessens the appeal of the full 475p cash offer. Yet Anglo's erratic track record and US open-cast mining losses hardly give it long-term appeal. And even if Anglo can sell Coalite's non-core operations for £200m within a year or so, the £44m of cash flow from the remainder looks scarcely enough both to service its debt and snstain strong dividend growth.

If the paper is nnattractive though, the cash may be irresistible. Coalite's strangely belated revelation on Tuesday of a £64m pension fund surplus and London property worth £12.5m have helped justify break-up values of 480p-530p per share; but the prospect of a share price collapsing to 360p if the bid fails may be a more persuasive argument. The only snag for Anglo is the heavy hand on Coalite's share register of professed long-termists such as Prudential, Pearl and Britannic Assurance.

Haughey enters talks to form coalition

By Our Foreign Staff in Dublin

MR CHARLES HAUGHEY, Ireland's caretaker Prime Minister, is expected to be able to form a government when the Dublin Parliament resumes on Wednesday – but at the price of sharing power for the first time in his party's history.

Talks on the formation of a government after last month's inconclusive general election were spurred by two opinion polls showing that 70 per cent of the electorate did not want another election and that more than half believed Mr Haughey should resign as leader of the Fianna Fail party.

A conciliatory Mr Haughey told the Dail when it reassembled yesterday that "if our entry into some form of political alliance is the only way in which a government can be formed in this Dail, our duty is to positively and constructively explore the possibility of finding some agreed basis for government."

Fianna Fail is expected to enter an agreement with the Progressive Democrat Party which would see at least a cabinet seat for Mr Desmond O'Malley, its leader, Mr O'Malley once challenged Mr Haughey for the Fianna Fail leadership before leaving the party to form the Progressive Democrats.

Yesterday, Mr O'Malley warned the Dail that despite the optimism, the result of the talks should not be taken for granted. The Progressive Democrats may seek a second cabinet seat and will certainly want at least one junior ministry. There is also a suggestion that the party may be offered the post of deputy speaker.

There could be arguments over what to call the new administration. Fianna Fail is anxious to avoid the tag of "coalition," but so far no convincing alternative has been suggested.

Northern Ireland policy could prove a thorny issue for a Fianna Fail-Progressive Democrat administration because it was one of the issues over which Mr O'Malley left his former party. Mr Haughey has since modified his position, but agreeing a form of words on this issue could prove tricky.

Mr Haughey also needs tbe formation of a new government to protect his own position as leader. The opinion polls showed that a third of Fianna Fail supporters thought he should step down after a series of miscalculations which began with the calling of the election.

Evidence that he has not lost all his political wiles, however, came from the fact that his two most likely successors, Mr Albert Reynolds, the Finance Minister, and Mr Bertie Ahern, the Labour Minister, have been kept busy as chief negotiators with the Progressive Democrats.

Brady wants stable dollar

Continued from Page 1

Both Mr Brady and Mr Mulford sought to accentuate the positive over the debt reduction strategy for Third World countries, in spite of the absence of any breakthrough in the talks between Mexico and its bank creditors.

Noting that the IMF had recently agreed new economic programmes with Mexico, the Philippines, Costa Rica and Venezuela, Mr Brady said: "We have laid a solid foundation for progress which will have the full support of tha beads of state at the summit."

Gorbachev's Europe plan

Continued from Page 1

ing. But he made no reference to the Council's role as home of the European convention and court of human rights.

The Soviet leader contested what he described as the widespread belief in the West that Europe could only be united by "overcoming socialism".

"This is a course for confrontation", he said. "There will be no European unity along these lines."

In an apparent reference to fast-moving political events in Poland and Hungary, he admitted that "the social and political order in some particular countries" could change.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
												Rio de J'o	C	15	59
Amsterdam	S	29	84	Faro	F	24	75	Manila	C	33	91	Rome	F	27	81
Athens	F	31	88	Florence	S	30	86	Melbourne	C	10	[illegible]	Salzburg	S	26	79
Bahrain	S	37	99	Frankfurt	S	29	84	Mexico City	C	24	75	San Francisco	S	11	52
Bangkok	C	31	88	Funchal	F	24	75	Miami	F	25	77	Seoul	S	30	86
Barcelona	F	26	79	Geneva	S	26	79	Milan	S	29	84	Singapore	R	27	81
Beirut		–	–	Gibraltar	S	26	79	Montreal	S	22	72	Stockholm	S	25	77
Belfast	S	23	73	Glasgow	S	25	77	Moscow	F	25	77	Strasbourg	S	29	84
Belgrade	S	28	82	Guernsey	S	23	73	Munich	S	26	[illegible]	Sydney	S	12	54
Berlin	S	29	84	Helsinki	S	22	72	Nairobi	F	21	70	Taipei	F	37	99
Biarritz	F	23	73	H. Kong	S	32	88	Naples	S	31	88	Tangier	F	23	73
Bombay	F	30	86	Innsbruck	F	28	82	Nassau	F	29	84	Tel Aviv	S	29	84
Bordeaux	C	25	77	Inverness	S	24	75	New Delhi	S	36	97	Tenerife	S	26	79
Brussels	S	30	86	Islamabad	F	33	91	New York	C	21	70	Tokyo	C	24	75
Budapest	F	29	84	Istanbul	F	28	82	Nice		–	–	Toronto	S	21	70
B. Aires	F	10	50	Jakarta	F	33	91	Nicosia	S	29	84	Tunis	S	29	84
Cairo	S	32	90	Jersey	F	25	77	Oporto	C	22	72	Valencia	C	27	81
Cape Town	S	17	63	Jo'burg	S	18	64	Oslo	S	26	79	Venice	S	28	82
Caracas	C	28	82	Lima	C	18	64	Paris	S	29	84	Vienna	F	26	79
Casablanca		–	–	Lisbon	F	23	73	Peking	C	25	77	Warsaw	S	28	82
Chicago	S	19	66	London	S	27	81	Prague	S	26	79	Washington	R	23	73
Cologne	S	31	88	Los Angeles	S	18	64	Reykjavik	F	8	46	Zurich	S	27	81
Copenhagen	S	26	79	Luxembourg	S	27	81								
Corfu	S	30	86	Madrid	F	28	82								
Dallas		–	–	Majorca	F	30	86								
Dublin	S	19	66	Malaga	S	25	77								

Readings at mid-day yesterday

C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Israeli bus crash eclipses political talks

Continued from Page 1

ence on Wednesday evening which heavily circumscribed his proposals for Palestinian elections in the territories leading to some form of self-rule.

By explicitly ruling out any advance until the intifada (nprising) was crushed, excluding East Jerusalem Arabs from the process, ruling out a Palestinian state and insisting on continued Jewish *settlement* of the occupied territories, Mr Shamir provoked a strong reaction from Palestinians and his Labour coalition partners.

In Tunis, Palestine Liberation Organisation officials said the development proved that Mr Shamir had never been serious about his peace plan.

In Israel, the Likud move was greeted with dismay by Labour whose leaders began to talk openly of breaking up the coalition for the first time since it was patched together at the end of last year.

The Likud vote also raised questions about how the US Administration intends to proceed in its efforts to secure Arab support for the Israeli Government's election plan.

Mr Shamir yesterday called in the US ambassador to Israel, Mr William Brown, to tell him that the peace initiative stood as endorsed by the Israeli Government.

In Washington, State Department officials played down the significance of the Likud vote as an internal Israeli affair.

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FINANCIAL TIMES
COMPANIES & MARKETS
Friday July 7 1989

INSIDE

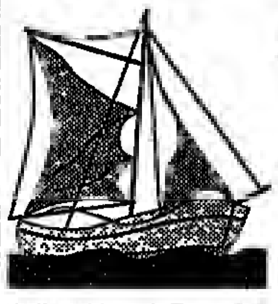
Canadian brewers' merger approved

The planned merger of the Canadian-based brewing operations of Molson Companies and Elders IXL, the parent of Carling O'Keefe of Canada, has been approved – with some reservations – by the Federal Competition Bureau, the country's anti-trust body. The merger will create the largest brewer in Canada and is a key move in the North American strategy of Elders, the Australian group headed by Mr John Elliott (above). Page 26

Boom time for Malaysian cocoa

Not so long ago, the Malaysian cocoa industry amounted to little more than a few experimental farms, some cocoa plots here and there and seedlings stuck in between rows of coconut trees. Then came the price boom of the late 1970s, and the crop's extraordinary advance. Nothing – not even the current slump – has been able to halt it, with the result that production reached 231,000 tonnes last year, compared with 18,000 tonnes in 1978. Page 38

Losses in Japan and Hong Kong take wind out of markets' sales



The pace in world equity markets slowed down during the second quarter, with the FT-Actuaries World Index rising less than 3 per cent after an advance of 6 per cent in the first three months of the year. Losses in Japan and Hong Kong took the wind out of the world's sails, although Europe and North America fought to keep on a forward course. Page 50

The lure Chicago cannot resist

The Chicago Board of Trade has made four previous attempts to launch a successful mortgage contract. And, with prices in a slump, now is probably not the best time to have another go. But the potential for a mortgage-backed securities derivative is huge and untapped by an exchange product. Deborah Hargreaves reports on the CBT's latest foray into the field. Page 28

Bright picture for ITV investors

LWT

The shares of Thames Television, the largest ITV company, rose 29p to close at 493p yesterday, following the news that it had been having exploratory talks with Carlton Communications about the possibility of a friendly Carlton takeover. Several other large ITV companies, including London Weekend Television and Central, also saw their shares move up – a reflection of the realisation that a number of strategic alliances are likely in the run-up to the auctioning of ITV franchises, writes Raymond Snoddy. Page 30

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)

Rises			
Allianz	1970	+	22
Commerzbank	265	+	4
Falls			
Lufthansa	179	–	5
Man	317	–	14
Mannesmann	238.5	–	7.5
RWE	323	–	10

NEW YORK ($)

Rises			
Apple Computer	41¼	+	¾
Rohr Inds.	28½	+	½
Smith Intl.	13	+	¾
Vista Chemical	46½	+	2
Falls			
Adobe Syst's	24½	–	2⅛
Nu-West Inds.	9	–	1½

PARIS (FFr)

Rises			
AuxEntrep	990	+	69.6
Promodes	3170	+	122.7
TRT	1346	+	67.3
Falls			
Metaleu	4.5	–	.6
Valeo	762	–	37.1

TOKYO (Yen)

Rises			
Japan Sec. Fin.	1920	+	170
Nankai Worsted	1190	+	160
Union Optical	1330	+	120
Falls			
Fuji Rebio	2400	–	120
Jokon Sangyo	1370	–	80
Nisshin Kisen	2600	–	260

LONDON (Pence)

Rises			
Beazer	181	+	5
Bennett & Foun.	105	+	8½
Body Shop	792	+	51
Brown (N.)	184	+	18
Cap'l & C'ties	370	+	17
Charter Cons.	579	+	16
Clarke Nickolls	248	+	31
MAI	107½	+	6½
RHM	481	+	24
Racal Elec.	484	+	20
Racal Telecom	391	+	18
Rothmans	571	+	6
Sun Life	1103	+	10
Thames TV	493	+	29
Tilbury Grp.	556	+	16
Town Centre	111	+	6
Falls			
Baker Harris	170	–	27
Beecham	632	–	16
Carlton Comms.	811	–	2
FKB Grp.	324	–	6
Imp. Chem.	1222	–	28
Lloyds	329	–	5

Siemens outlines management changes

By Haig Simonian in Frankfurt

SIEMENS, the West German electrical and electronics group currently involved in a disputed takeover bid for Plessey, the UK electronics group, yesterday announced details of its long-awaited management reorganisation.

The changes come as part of a plan to increase the company's flexibility and transparency, particularly with a view to international business, the company said.

From the start of Siemens's new business year on October 1, its management board is to shrink from 27 to 21 members. Equally important, a new "central management board", comprising 10 key managing board members, will be established.

This new "inner cabinet" will concentrate on fundamental group strategic policy and supervision, said Siemens.

The changes at board level are accompanied by a thoroughgoing restructuring of Siemens's operating activities. The present seven operating divisions, the largest of which has annual sales of some DM10bn ($5.1bn) a year, will be replaced by 15 smaller divisions and two smaller business branches.

Each of the 17 units will have its own managing board of between three and five directors. In all, there will be 48 managing directors for the 17 divisions, with nine of the executives also sitting on Siemens's main managing board.

The largest of the new divisions will be for public communications networks, with annual sales of around DM6bn, followed by industrial and building systems, and medical equipment and engineering.

The reorganisation, which follows a shake-up at head office last year, represents the most thorough attempt to date by Siemens, which had sales of DM59.3bn in the last business year, to improve flexibility and management accountability.

The moves follow some years of criticism, from the stock market as well as within German business circles, that Siemens had grown into an immobile giant.

In particular, the changes are designed to make the group more attuned to opportunities in the world market, the company said. "The aim is to make us more international."

As a result, three of the 48 new divisional directors are non-Germans, with two from the US and one from Austria.

Among other changes is the decision to remove central co-ordinating functions, like group finance from line management, and treat them as purely service sectors for group as a whole.

In tandem with General Electric of the UK, Siemens made a £1.7bn ($2.7bn) takeover bid for the Plessey group late last year.

One and one makes one

David Waller on the most popular sum for today's big accountants

Small is very definitely not beautiful in the world of accountancy. The international firms are scrabbling to jump into bed with one another and the "Big Eight" could soon be replaced by an Even Bigger Four.

A bout of consolidation among the large firms seemed likely in the wake of the link-up between Ernst & Whinney and Arthur Young, voted through at the end of last month. But nothing like the merger mania of recent days.

Touche Ross and Deloitte Haskins & Sells are likely to announce their engagement today. Arthur Andersen and Price Waterhouse have gone into purdah for 60 days as they attempt to tie the knot. The industry is alive with gossip: what does it all mean?

Of all the possible permutations of the firms, the PW/Andersen link-up is the most radical and least expected. Although it holds enormous commercial promise, it is unlikely to take effect without extremely heated debate among the 4,600 partners who own the two firms.

AA and PW are very different – in terms of both commercial profile and corporate culture. A strong argument for the merger is that the differences between their respective businesses means that overlap is minimal and synergy potentially great.

On the other hand, the difference in cultures, between the Chicago-led, aggressive American approach adopted by Arthur Andersen and the classically British manner of PW – as much the auditor to the UK business establishment as Peat Marwick – could lead to insurmountable problems.

Price Waterhouse has roots going back to the middle of the last century. It was founded by one Edwin Waterhouse, a Nonconformist from a Liverpool family who went into partnership with Mr S.L. Price in 1865.

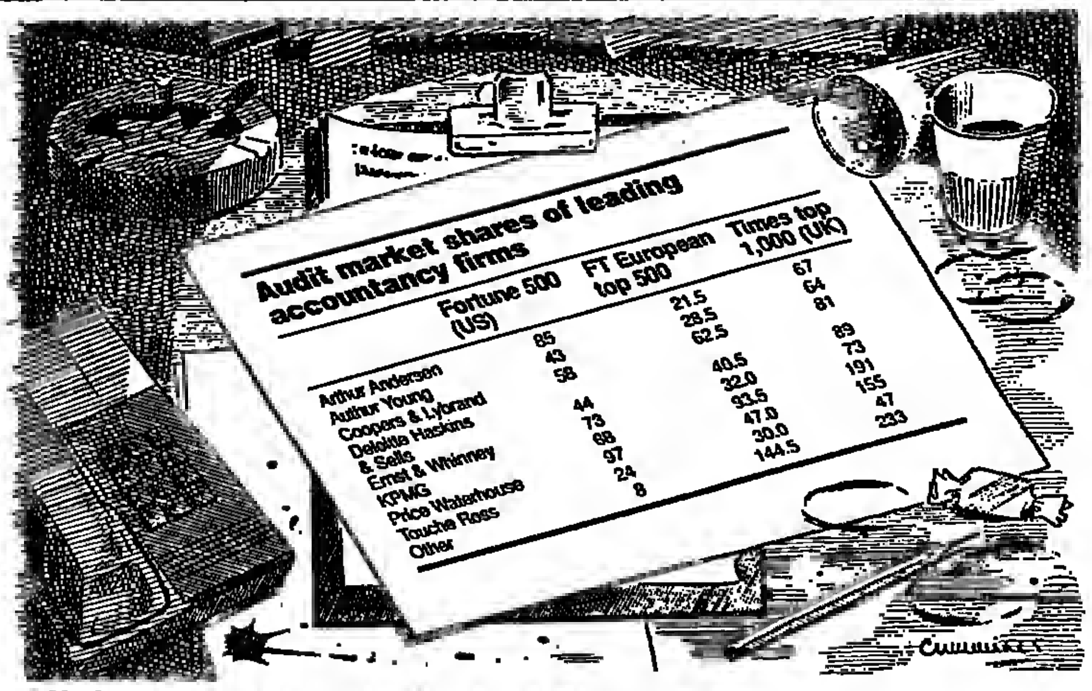
By 1907, Price Waterhouse had grown large enough to have an office in Chicago. This far-flung office employed Mr Arthur Andersen, a bright student who stayed with the firm for a few years before, in 1913, setting up on his own.

Andersen's successors came to the UK only in 1957, later than any of the other firms which used to constitute the Big Eight. It has built its way up to being the sixth largest firm in Britain, but competitors would argue that a large body of the audit work Andersen does in this country comes from referrals from clients in the US, where the firm is very strong – and from consultancy.

By any measure, Andersen is the world's largest management consultant, with revenues up by a third last year to $1.12bn, compared with the $743m Ernst & Young would have mustered had it been together then. PW comes a long way down the list, with revenues of $385m. McKinsey, a well-known name in the consultancy market generated $620m of turnover.

Andersen's predominance in this field comes out from any concentration on glamorous strategic management consultancy. From the very first days of the commercially applicable computer, Andersen has specialised on the information technology sector, writing the software which creates financial systems.

In the UK last year, this part of Andersen's operations accounted for £60.5m ($96.8m) out of its total turnover of £144m, while audit fees totalled only £43.2m. PW's audit fees amounted to £101m out of UK revenues of £222m.



Audit market shares of leading accountancy firms	Fortune 500 (US)	FT European top 500	Times top 1,000 (UK)
Arthur Andersen	85	21.5	67
Arthur Young	43	28.5	64
Coopers & Lybrand	58	62.5	81
Deloitte Haskins & Sells	44	40.5	89
Ernst & Whinney	73	32.0	73
KPMG	68	93.5	191
Price Waterhouse	97	47.0	155
Touche Ross	24	30.0	47
Other	8	144.5	233

Table shows the number of corporate clients among leading companies

The commercial benefits of putting the two firms together today could include:

● Strength deriving from sheer size. The new firm would be by the far the biggest outfit in the world – with joint fee income of $5.038bn against the $4.244bn earned by Ernst & Young.

● A dovetailing of Andersen's might in consultancy with PW's presence in auditing. This is not to say that either are particularly weak in these areas: it is just that PW audits more "blue-chip" clients around the world (170 out of the world's top 1000 companies) than any other firm while Andersen's consulting strengths speak for themselves.

● Geographical benefits. For historical reasons, Andersen is bigger in the US than in continental Europe and the UK, where PW is firmly established after more than a century in practice.

Such advantages are fine in theory. Some practical barriers to the link-up include:

● PW's unwillingness to be subjugated to the Arthur Andersen way of doing things. Of all the big firms, Andersen has the most distinct corporate identity. It projects itself as aggressive and more hard-working than its competitors, and pays its employees more than anyone else as a matter of principle.

● Andersen has always been the most internationally-minded of the big firms, with global standards and work patterns dictated inflexibly from Chicago. It was the first to set up an international partnership, in Geneva more than a decade ago, and it is the only firm to calculate its partners' earnings on the basis of a share of world profits.

PW moved in that direction only last autumn with a restructuring modelled on Royal/Dutch Shell, the Anglo-Dutch oil giant which is one of PW's clients. Mr Joseph Connor was appointed chairman with a brief to make the firm more international. However, it is unlikely that he has yet made much impact on the basically federal nature of the national firms under the PW umbrella.

● The Arthur Andersen partnership is riven by the conflicting interests of the fast-growing, capital-hungry consulting side and those of the slow-growing audit practice. These tensions came dramatically out into the open in October last year when four top consultants left to set up their own firm with the backing of Saatchi & Saatchi. In March this year there was a shake-up at the top of the firm when the senior partner stepped down along with his 18-man board.

● Anti-trust problems: it is likely that competition authorities in Europe and the US will want to scrutinise the deal.

No doubt, both firms will be remembering the events of 1984 when PW's UK partners very publicly blocked a global merger with Deloittes. It remains to be seen whether the same desire for independence will prevail, or whether competitive pressure have become so great over the last five years that the urge to merge will be irresistible.

Developer Imry now plays bid victim

By Paul Cheeseright in London

LONDON'S newest and most reluctant theatre proprietor has emerged as the central character in its own City drama and is engaged in writing a play which could lead to its own demise.

Imry Merchant Developers, the UK £250m ($400m) property group whose most famous asset is the Shakespearean Rose Theatre, yesterday acknowledged that it was the subject of a possible bid.

In a statement which had an economy that Shakespeare would have envied, but a lack of elegance that would have distressed him, the company said it "has received an approach which may or may not lead to an offer being made for the whole of the issued share capital of Imry."

The shares have been the object of sporadic buying on bid hopes for months. But it was not clear where the approach was coming from. Guesses included the Far East, because Imry has a link with Nissho Iwai of Japan, and Mr Stefan Wingate, the property entrepreneur, because he might want another quoted property vehicle. Only English Heritage, protector of the nation's historic buildings, and the Rose Theatre Trust, guardian of the Bard's spirit, were ruled out.

The Rose Theatre Trust has been at the forefront of a campaign to safeguard and display the ruins of the Rose, which were discovered beneath an Imry development in Southwark, and has never been satisfied with Imry's plans to achieve the same end.

Mr David Davies, the chairman of Imry, conceded that the offer talks had been going on for more than a couple of days. In the market, there is a general feeling that a deal is being worked out at around 625p a share. Yesterday the shares rose 47p to 581p.

This is the second bid approach announced in the property sector this week. With Arlington Securities in talks as well, bid fever is setting in, with much speculation about other likely merger candidates or bid targets.

The market has had Imry in its sights all this year. Despite good annual figures, analysts were never convinced that the corporate marriage of March 1988 between the Imry International of Mr Martin Myers and the City Merchant Developers of Mr Martin Landau worked.

Anybody buying Imry will take on a property development programme costing about £960m, and an investment property portfolio worth £282m.

ICI to spend £150m on chemicals plant in Taiwan

By Peter Marsh in London

IMPERIAL CHEMICAL Industries plans to spend £150m ($230m) on a chemicals plant in Taiwan in a move which is the company's single biggest investment for a decade.

The plant, announced yesterday, is to make purified terephthalic acid (TPA), a raw material which has quickly become popular in the making of polyester fibre in recent years.

Taiwan, as a result of its rapidly expanding fibres industry, is the world's largest user of TPA, which is also used to make plastic bottles and film. It consumed last year some 1.2m tonnes of the material, worth $900m – roughly a fifth of the total $4.5bn world TPA market.

The investment by ICI, which is Britain's biggest manufacturer and the world's fourth largest chemicals group, fits in with the growing interest by Western chemicals companies in the Far East. According to ICI, the region will account for 38 per cent of the total growth in the world chemicals industry over the next decade.

Several large European and US chemicals groups, including BP Chemicals, Royal Dutch/Shell, Hoechst and Exxon are considering stepping up investments in the region. They are also trying to form stronger links with companies in the Far East in sectors such as cars, textiles and engineering which are big users of chemicals.

The ICI plant, due to start up in 1991, is planned for a site on an existing industrial estate in north-west Taiwan. ICI has not identified the estate and does not own the land where the factory is due to be built but says it is confident of reaching a deal with the land owner.

Almost all production of TPA from the plant, due to reach some 350,000 tonnes a year by the early 1990s, would be sold to local Taiwanese makers of polyester fibre – which is predominantly used in clothing. ICI believes it essential to site the factory close to these big purchases.

The group said yesterday it also envisaged selling some of the material to neighbouring countries. Raw material for the TPA plant, which is derived from the output of oil refineries, would be mainly obtained from chemicals suppliers in other Asian countries such as Indonesia, India and Thailand.

ICI has a strong position in TPA manufacturing technology and is the world's second biggest supplier after Amoco of the US, which is thought to account for about 40 per cent of the total supply.

The British company accounts for some 10 per cent of world TPA output with other large suppliers being Mitsubishi and Mitsui of Japan. ICI makes most of its TPA at its large chemicals complex on Teesside in the UK and also has a share in a TPA plant being built in Thailand.

The group's investment in Taiwan is part of its strategy to double by 1995 the proportion of sales that it derives from the Far East. Last year the region, including Japan but excluding Australia and New Zealand, accounted for only 8 per cent of the company's £12bn revenues.

Telefonica buys into S America

By Peter Bruce in Madrid and Barbara Durr in Santiago

TELEFONICA, the Spanish telephone monopoly, has made its first major breakthrough in Latin America by bidding successfully yesterday to buy 10 per cent of Entel, the biggest Chilean telecommunications transmissions business.

Banco Santander, a Spanish commercial bank, also bought 10 per cent at an auction in the Santiago Stock Exchange. The two Spanish bidders each paid $27.2m for their stakes.

A further 2 per cent of Entel on offer was bought by a Chilean pension fund. A number of Chilean pension funds already own 25 per cent of the telecoms business, and the Chase Manhattan Bank has a 12 per cent stake.

The Spanish telephone monopoly has been trying for more than two years to break into Latin American telecommunications and thus earn itself a place among international telecoms multinationals. It bid for control of the Chilean telephone monopoly, Compagnie de Telefonos de Chile, when it was privatised in late 1987, but lost out to the Australian businessman, Mr Alan Bond.

It has also offered to pay some $500m for 40 per cent of the Argentinian telephone monopoly which the outgoing Government had agreed to privatise. This deal has run into trouble, however, as the Peronist Government in-waiting originally opposed the privatisation.

It seems likely that the Peronists now will at least want to renegotiate the terms of the agreement reached between Buenos Aires and Telefonica.

Swedish groups to set up London-based MBO unit

By Robert Taylor in Stockholm

SKANDIA, Sweden's leading insurance group, and Svenska Handelsbanken, the country's second largest bank, are to establish a London-based finance company specialising in management buy-outs, focusing primarily on the Nordic area but also covering the European Community.

Mr Torsten Johansson, for Skandia, said yesterday: "The market has until now been underdeveloped in Sweden. But we see a lot of opportunities in the Nordic region for management buy-outs."

The board of the new company will be appointed next month. The company will be registered in the UK and begin its activities in the early autumn. Skandia has already been involved in a number of management buy-outs, most recently with Handelsbanken in the Nobel Chematur deal.

Mr Robert Andreen, head of the mergers and acquisitions division at Handelsbanken, said: "We can expect an increased interest in management buy-outs, not least when companies in Sweden start to restructure themselves after the strong acquisitions wave of recent years."

Last month the bank established a UK-based development capital company aimed at investing £5m to £10m ($8m to $16m) over the next few years in privately owned companies.

Skandia also announced yesterday that it was negotiating with Reinhold International, the property company, about the purchase for SKr3bn ($462.8m) of properties in London, Madrid and Lisbon.

The stimulus for the company to acquire investments overseas stems from this week's abolition of foreign exchange controls in Sweden.

Mr Lars Bergström, Skandia's legal adviser, said: "We see this as risk spreading. But the Swedish property market remains our main area of interest."

Skandia estimates that its property investments will increase by as much as SKr4bn, to SKr10bn, when its current projects have been completed, of which SKr4bn will be outside Sweden.

Yesterday's developments lengthen an already busy shopping list for Skandia. In March this year it acquired National Insurance and Guarantee Corporation, the London-based motor insurance business.

American Barrick sues Capel over Gold Fields

By Clay Harris in London

AMERICAN Barrick Resources, the Canadian mining group, yesterday issued a writ against James Capel, the London stockbroker through which it built up a 4.9 per cent stake in Consolidated Gold Fields in 1986.

ABR said it was "claiming damages arising directly from James Capel's undisclosed dealings in shares of Consolidated Gold Fields at a time when James Capel was instructed by American Barrick to build a stake in Gold Fields."

In a statement last night, Capel said ABR was alleging that the broker allowed information about ABR's intentions to leak to salesmen and traders dealing in Gold Fields shares and that the "improper use of this information" generated profit and commission for the broker and resulted in a rise in the Gold Fields share price between September 1 and December 5 1986.

ABR also alleged, Capel said, that the information had leaked outside the firm, "causing rumours and speculation in Gold Fields shares."

Capel said all the allegations would be strongly defended. It operated a strict system of Chinese walls and had "no evidence whatsoever that any breach of security occurred." ABR knew, moreover, Capel said, that the broker dealt routinely in international mining shares for clients and on its own account.

It described as "scarcely credible" the allegation that its dealing and that of its clients had caused the Gold Fields share price rise since both had been net sellers.

Anglo United raises Coalite offer

By Ray Bashford in London

ANGLO UNITED, the British fuel distribution group, yesterday stepped up the pressure on Coalite with a revised takeover offer which values its diversified competitor at £478m ($764.8m).

The cash offer has been increased from 425p to 475p a share. To add spice to the terms of the final bid, Coalite shareholders are also being offered a cash and share or a share and loan note alternative.

The Coalite board quickly rejected the new offer, responding in a tone which underlined the deterioration in relations between the north Derbyshire neighbours since the hostile bid was launched in late May.

Mr Eric Varley, Coalite's chairman, said the revised offer was another attempt to "acquire Coalite on the cheap."

He said that analysts from four leading securities firms had recently estimated the company had a value of between 500p and 600p and forecast that shareholders would ignore the offer.

Mr David McErlain, Anglo's chairman, repeated the claim that Coalite was a poorly managed company, involved in an excessively broad range of activities which were failing to generate sufficient returns.

The terms of the alternative offer are 100 Coalite shares for 137 Anglo shares in addition to £412 cash or loan notes plus the same number of Anglo shares. Coalite shareholders will be entitled to retain the proposed 11.25p a share final dividend.

Anglo shares firmed 5p to 57p yesterday while Coalite added 10p to 471p. Excluding the dividend consideration, the cash plus paper offer values each Coalite share at 490p. Coalite shares had an average closing price of 330p in January this year.

Under the takeover plan, most activities peripheral to Coalite's core fuels and chemicals operations would be sold to help finance the highly leveraged offer.

The core businesses would then be merged with Anglo's operations.

The company expects to receive £200m from the asset sales and, according to Mr McErlain, has already received expressions of interest about purchases.

Anglo, which is about one-eighth the size of Coalite in terms of market capitalisation, is financing the majority of the bid through a 6½-year £230m acquisition facility and a 1¼-year £200m bridging facility.

The bridging finance will be paid out of the proceeds from the asset disposals. The company expects to complete the payment of this element of the debt by March 1991.

Anglo holds slightly more than 5 per cent of Coalite's capital, having started the attack with a stake of 2.2 per cent.

Kone Corp acquires Starlift

By Enrique Tessieri in Helsinki

KONE Corporation, the Finnish lifts and crane-making group, has acquired Starlift, a Dutch lift company based in Voorburg with annual sales of about FM250m ($58m).

Starlift controls around one third of the Dutch market, an area where Kone is active. Kone's Dutch operations have sales of about FM30m net.

Kone, which is run by the wealthy Finnish Herlin family, has total net sales of about FM6.1bn. As well as dominating Nordic markets, the company is in the lift market in Italy. Through its acquisition of the Italian firms of Sabiem in 1985 and Fiam in 1987, Kone controls 30 per cent of the Italian lifts market with last year's net sales there reaching FM760m.

Kone's pre-tax profits rose sharply last year, moving up from FM52,000 to FM345,000 on a 10 per cent increase in turnover.

Order intake improved by 17 per cent and performance gained from the absence of the heavy restructuring costs felt in 1987.

Saab car division hit by fall in US sales

By Robert Taylor

SAAB-SCANIA'S troubled car division achieved a 2 per cent growth in world sales for the first six months of 1989, according to figures released yesterday.

But the Swedish group continues to face severe difficulties in the highly competitive US market, with a 15 per cent drop in sales compared with the first half of 1988. The number of cars sold in the US fell from 18,858 to 16,025.

The company also revealed that the deteriorating US trend was continuing. During June Saab sold only 2,312 cars, down from 3,274 in June 1988.

However, its car sales in western Europe were encouraging – with a 20 per cent improvement in West Germany, a 15 per cent increase in Italy and an 11 per cent gain in Britain. Sales in the home market improved by 6 per cent, contrasting to an 8 per cent industry-wide decline.

Saab's 9000 model increased sales by 22 per cent in the six months, lifting unit sales to 8,026.

● Sales at West Germany's BMW motor group climbed by 21 per cent in the 1989 first half, to DM13.5bn ($7.1bn) from DM11.2bn a year earlier.

Mr Eberhard von Kuenheim, chairman, told shareholders at yesterday's annual meeting that the company sold 272,000 cars in the period, a 20 per cent increase. He said BMW expected to sell more than 500,000 cars this year.

Ifint takes 18% Alisarda stake

IFINT, the Luxembourg arm of Istituto Finanziario Industriale (IFI), the Agnelli family holding company, has bought an 18 per cent shareholding in Alisarda, the Italian airline, Reuter reports.

Alisarda, which is controlled by the Aga Khan's family interests, did not disclose financial details of the transaction.

Ifint will have a representative on Alisarda's board.

IFI owns a 23 per cent stake in the airline.

Shell Spain boosts profit

SHELL SPAIN, the Spanish unit of the Anglo-Dutch Shell group, posted net profits of Pta5.3bn ($44.3m) last year, up 141 per cent, AP-DJ reports.

Last year's sales were Pta53.3bn, up 31 per cent. In the first half this year sales rose 22 per cent to Pta14.7bn and net profits jumped 81 per cent to Pta1.7bn.

Bosch lifts first-half turnover

By David Marsh in Bonn

ROBERT BOSCH, the West German vehicle equipment and electricals group, boosted group turnover 9 per cent in real terms to DM14.8bn ($7.8bn) in the first six months of 1989, compared witb last year's period.

Mr Marcus Bierich, chairman, said ysserday tbat results this year would "not be worse" than in 1988. He projected this year's turnover at about DM30bn, against DM27.7bn in 1988.

Last year's net income fell to DM554m from DM825m in 1987, when profits were artificially increased by extraordinary proceeds following the sale of Bosch's 9.5 per cent stake in Borg-Warner, the US automotive and engineering company.

After making allowance for this, Bosch's actual profits last year were above the 1987 level, Mr Bierich said. Operating profits in 1988 rose to DM2.2bn from DM1.74bn in 1987.

Mr Bierich said a favourable economic environment had given the group a better than expected start to 1989. Domestic sales rose 11 per cent compared with the first half last year, with foreign sales up 12 per cent.

Fixed-asset investment was planned to grow to DM1.95bn this year from DM1.94bn. Thirty seven per cent of 1989's spending would be concentrated on foreign activities, against only 28 per cent.

A faster expansion was expected next year, when Bosch aimed for 23 per cent growth in investment spending. As in 1988 and 1989, most spending would bs concentrated on vehicle components.

Mr Bisrich said that last year's 9.1 per cent increase in the gronp's global turnovsr translated into a real increase of 8.3 per cent after taking price and exchange rate changes into account.

A 51 per cent share of sales was accounted for abroad, against 50 per cent in 1987.

Vehicle components showed a 5.2 per cent sales increase to DM14.4bn, while communications technology climbed 18.8 per cent to DM6.6bn.

Citroën to establish Japanese offshoot

AUTOMOBILE Citroën, part of the Peugeot motor group, plans to establish a Japanese company and is seeking an injection of capital from its Japanese partners, Mazda Motor and Seibu Motor Sales, Reuter reports.

The new company will aim to improvs communication between Citroën and ths two Japanese companies and to carry out market research in Japan.

Mazda, which is due to sell Citroën cars locally in September, was considering investing in the Citroën Japanese unit, a Mazda spokesman said. Prior to the Citroën agreement with Mazda, Seibu Motor was the sole importer to Japan of Citroën cars.

According to Seibn Motor, Citroën is expected to hold a stake in excess of 50 per cent in the new Japanese unit, with capital participation by Mazda and Seibu Motor likely to be equal.

Sales of Citroën cars in Japan totalled 2,417 in 1988, up 38 per cent from a year earlier. In the first six months of 1989 sales climbed 24 per cent to 1,497, according to statistics from the Japan Automobile Importers' Association.

The Peugeot group formed a Japanese company, Peugeot Japon, in Tokyo earlier this year to conduct sales promotion and market research.

It was capitalised at Y20m ($144,000) and is owned 52 per cent by Peugeot and 24 per cent each by Suzuki Motor and Austin Rover Japan, the Japanese arm of the Rover group of the UK. Sales of Peugeot cars in Japan totalled 2,364 in 1998, up 86 per cent. Sales more than doubled to 1,914 in the first six months of this year.

Nedlloyd to buy German road haulier

By Laura Raun in Amsterdam

NEDLLOYD, the Dntch shipping and transport group, plans to acquire Union-Transport, one of West Germany's biggest road haulage companies.

Union-Transport, based in Düsseldorf, has a turnover of Fl 1.3bn ($620m) and 4,300 employees. It engages in national and international road haulage, intercontinental and airfreight forwarding, storage and distribution. It has a fleet of 375 lorries and 900 delivery vans, as well as more tban 170,000 square metres of storage space.

Nedlloyd refused to disclose the purchase price yesterday, although Mr Philip Verhulst, managing director of transport and distribution, said that payment would be in cash. No equity issue would be needed to finance the deal, he said.

"This is decisive for tbe build-up of our whole European activities," he explained. The acquisition will boost Nedlloyd's turnover by 26 per cent and promote it to become one of Europe's top five road transport companies.

Nedlloyd aims to develop a European network in transport, storage and distribution, to sit alongside its worldwide shipping activities, which specialise in container traffic.

Group Precious Metal Mining Companies' Reports for the quarter ended 30 June 1989

All companies are incorporated in the Republic of South Africa

Driefontein Consolidated

Driefontein Consolidated Limited
(Registration No. 68/04880/06)

ISSUED CAPITAL: 204 000 000 shares of 50 cents each, fully paid.

	Quarter ended 30 June 1989	Quarter ended 31 March 1989	Year ended 30 June 1989
OPERATING RESULTS			
Gold - East Driefontein			
Ore milled (t)	720 000	720 000	2 880 000
Gold produced (kg)	6 192,1	7 704,0	30 275,2
Yield (g/t)	8,6	10,7	10,5
Price received (R/kg)	32 115	31 205	32 365
Revenue (R/t milled)	276,55	334,38	341,68
Cost (R/t milled)	123,05	117,26	117,85
Profit (R/t milled)	153,50	217,12	223,83
Revenue (R000)	199 119	240 755	987 463
Cost (R000)	88 599	84 432	340 539
Profit (R000)	110 520	156 323	646 924
Gold - West Driefontein			
Ore milled (t)	705 000	705 000	2 803 000
Gold produced (kg)	7 050,0	7 191,0	27 883,7
Yield (g/t)	10,0	10,2	10,0
Price received (R/kg)	31 998	31 230	32 405
Revenue (R/t milled)	320,41	319,07	322,98
Cost (R/t milled)	144,92	140,03	141,79
Profit (R/t milled)	175,49	179,04	181,19
Revenue (R000)	225 889	224 947	905 313
Cost (R000)	102 170	98 722	397 444
Profit (R000)	123 719	126 225	507 869
FINANCIAL RESULTS (R000)			
Working profit Gold	234 239	282 548	1 154 793
Profit on sale of Uranium Oxide and Sulphuric Acid	282	358	208
Tribute royalties	1 074	186	1 804
Net mining revenue	235 595	283 092	1 156 805
Recovery under loss of profits insurance	—	4 000	4 720
Net sundry revenue (group)	25 756	29 582	96 376
Profit before tax and State's share of profit	261 351	316 674	1 257 901
Tax and State's share of profit	113 189	163 747	666 324
Profit after tax and State's share of profit	148 162	152 927	591 577
Capital expenditure	60 494	50 242	211 170
Dividend	244 800	—	408 000

CAPITAL EXPENDITURE. The unexpended balance of authorised capital expenditure at 30 June 1989 was R659,3 million.

DIVIDEND. A dividend (No. 52) of 120 cents per share was declared on 13 June 1989, payable to members on or about 9 August 1989.

SHAFTS

EAST DRIEFONTEIN

No. 5 Sub-Vertical Shaft-E. The station on 48 Level was excavated and lined and development to the waste pass position completed. The shaft was sunk a further 38 metres to a depth of 1 376 metres below the collar.

No. 1 Tertiary Shaft-E. Civil work is in progress in the winder chambers and sliping and lining of the headgear continues.

WEST DRIEFONTEIN

No. 9 Sub-Vertical Shaft-W. The excavation of one of three winder chambers on 21 Level and of the platform winder chamber on 22 Level has commenced.

ORE RESERVES AT 30 JUNE 1989. The detailed ore reserves will be published in the annual report. At the prevailing pay limits the reserves are as follows:

East Driefontein (Pay limit 5,0 g/t)

Classification	Tons	STOPE Width (cm)	STOPE Value (g/t)	STOPE cm.g/t
Ventersdorp Contact Reef	4 228 000	168	16,1	2 705
Carbon Leader	1 082 000	156	8,6	1 342
Main Reef	697 000	155	5,9	914
Total and averages	6 007 000	164	13,6	2 230

West Driefontein (Pay limit 6,2 g/t)

Classification	Tons	STOPE Width (cm)	STOPE Value (g/t)	STOPE cm.g/t
Carbon Leader	1 922 000	111	23,5	2 608
Ventersdorp Contact Reef	2 223 000	189	11,2	2 117
Main Reef	1 417 000	131	8,7	1 140
Erosion Channel	440 000	115	16,6	1 909
Total and averages	6 002 000	137	14,9	2 041

6 July 1989

On behalf of the board
A. J. Wright
M. J. Tagg
} *Directors*

Northam

Northam Platinum Limited
(Registration No. 77/03382/06)

ISSUED CAPITAL: 28 800 000 shares of 1 cent each, fully paid.

	Quarter ended 30 June 1989	Quarter ended 31 March 1989	Year ended 30 June 1989
Pre-production Mine Development Expenditure (R000)			
Capital expenditure	41 074	29 047	140 684
Net income after tax	3 980	4 721	14 562
	37 094	24 326	126 122

All income and expenditure has been capitalised as pre-production mine development expenditure.

CAPITAL EXPENDITURE. The unexpended balance of authorised capital expenditure at 30 June 1989 was R712,1 million.

SHAFTS

ZONDEREINDE

No. 1 Shaft-Z. The shaft was sunk 88 metres to a depth of 1 654 metres below collar. The station on 6 Level and the development to the waste pass position were completed.

No. 2 Shaft-Z. On 8 Level the station, water settler, and reef and waste belt cross-cuts were completed. The waste pass between 4, 5 and 6 Levels was raisebored. The shaft was sunk 43 metres to a depth of 1 742 metres below collar.

The Merensky Reef was initially intersected in the shaft and later, together with the UG2 Reef, on 8 Level. Copies of the results which were published in the press, are available on request.

The second permanent winder was commissioned.

METALLURGICAL PLANT. Work continues on the erection of the base metal removal plant building and on the smelter.

6 July 1989

On behalf of the board
A. J. Wright
M. J. Tagg
} *Directors*

Vlakfontein

Vlakfontein Gold Mining Company Limited
(Registration No. 05/06155/06)

ISSUED CAPITAL: 6 800 000 shares of 20 cents each, fully paid.

	Quarter ended 30 June 1989	Quarter ended 31 March 1989	Year ended 30 June 1989
OPERATING RESULTS			
Gold - Droogebult			
Ore milled (t)	41 493	39 411	158 252
Gold produced (kg)	111,5	95,6	426,0
Yield (g/t)	2,7	2,4	2,7
Price received (R/kg)	31 723	31 056	32 228
Revenue (R/t milled)	85,40	75,38	87,15
Cost (R/t milled)	87,57	91,80	86,19
(Loss)/profit (R/t milled)	(2,17)	(16,42)	0,94
Revenue (R000)	3 544	2 971	13 789
Cost (R000)	3 630	3 618	13 640
(Loss)/profit (R000)	(90)	(647)	149
Gold - Surface sources			
Ore milled:			
from surface dumps (t)	66 305	97 672	339 535
from outside sources (t)	102 242	72 917	342 213
Total milled (t)	168 547	170 589	681 748
Gold produced (kg)	146,4	171,5	671,6
Yield (g/t)	0,9	1,0	1,0
Price received (R/kg)	31 723	31 056	32 228
Revenue (R/t milled)	27,81	31,26	31,85
Cost (R/t milled)	28,94	29,82	30,52
(Loss)/profit (R/t milled)	(1,13)	1,44	1,33
Revenue (R000)	4 688	5 332	21 712
Cost (R000)	4 879	5 087	20 805
(Loss)/profit (R000)	(191)	245	907
FINANCIAL RESULTS (R000)			
Working (loss)/profit Gold	(281)	(402)	1 056
Net sundry revenue	197	169	793
(Loss)/profit before tax	(84)	(233)	1 849
Tax:			
Formula tax	(400)	68	92
Non-mining tax	71	—	71
Profit/(loss) after tax	245	(301)	1 686
Capital expenditure	177	47	1 234

CAPITAL EXPENDITURE

(a) The unexpended balance of authorised capital expenditure at 30 June 1989 was R2,5 million.

(b) The expenditure for the quarter ended 30 June 1989 relates mainly to Droogebult.

DIVIDEND. The final dividend was passed.

ORE RESERVES AT 30 JUNE 1989. The detailed ore reserves will be published in the annual report. At the prevailing pay limit of 3,5 grams per ton the reserves are as follows:

Classification	Tons	STOPE Width (cm)	STOPE Value (g/t)	STOPE cm.g/t
May Reef	32 000	80	6,3	504

6 July 1989

On behalf of the board
M. J. Tagg
A. J. Wright
} *Directors*

Venterspost

Venterspost Gold Mining Company Limited
(Registration No. 05/05652/06)

ISSUED CAPITAL: 20 200 000 ordinary shares of 25 cents each, fully paid.
4 800 000 deferred ordinary shares of 25 cents each, fully paid.

	Quarter ended 30 June 1989	Quarter ended 31 March 1989	Year ended 30 June 1989
OPERATING RESULTS			
Gold			
Ore milled (t)	412 000	420 000	1 642 000
Gold produced (kg)	1 526,4	1 559,8	6 096,0
Yield (g/t)	3,7	3,7	3,7
Price received (R/kg)	31 952	31 331	32 466
Revenue (R/t milled)	118,57	116,58	119,56
Cost (R/t milled)	119,00	112,16	113,19
(Loss)/profit (R/t milled)	(0,43)	4,42	6,37
Revenue (R000)	48 850	48 963	196 319
Cost (R000)	49 028	47 107	185 853
(Loss)/profit (R000)	(178)	1 856	10 466
FINANCIAL RESULTS (R000)			
Working (loss)/profit Gold	(178)	1 856	10 466
Net sundry revenue	1 073	1 642	5 740
Profit before tax	895	3 498	16 206
Tax	744	751	2 896
Profit after tax	151	2 747	13 310
Capital expenditure			
Old mine	2 912	1 612	6 568
No. 4 Shaft Project	8 329	2 620	40 347
Dividend	7 070	—	12 120

CAPITAL EXPENDITURE. The unexpended balance of authorised capital expenditure at 30 June 1989 was R114,9 million. Expenditure for the year in respect of the No. 4 Shaft Project includes the cost of the mineral rights and precious metals claims purchased.

DIVIDEND. A dividend (No. 98) of 35 cents per share was declared on 13 June 1989, payable to members on or about 9 August 1989.

PRODUCTION. The reduced milling rate of 132 000 tons for June was the result of the underground fire. A further loss is expected for July because of the disruption caused, although the fire has been extinguished.

No. 4 SHAFT. The erection of the steel headgear was commenced and the shaft was advanced to 22,6 metres below collar during preliminary sinking operations. The surface consolidation at all building sites and the construction of associated buildings were completed. The installation of the platform winder was completed, and the installation of the kibble winder is in progress. The haulage on 10 Level from No. 1 Sub-Vertical Shaft towards No. 4 Shaft advanced 203 metres to 952 metres.

ORE RESERVES AT 30 JUNE 1989. The detailed ore reserves will be published in the annual report. At the prevailing pay limit of 4,8 grams per ton the reserves are as follows:

Classification	Tons	STOPE Width (cm)	STOPE Value (g/t)	STOPE cm.g/t
Main Reef	4 274 000	141	5,5	776
Ventersdorp Contact Reef	1 164 000	151	6,3	951
Libanon Reef	23 000	160	10,4	1 664
Total and averages	5 461 000	143	5,7	815

6 July 1989

On behalf of the board
M. J. Tagg
A. J. Wright
} *Directors*

Libanon

Libanon Gold Mining Company Limited
(Registration No. 05/06381/06)

ISSUED CAPITAL: 40 000 000 shares of 20 cents each, fully paid.

	Quarter ended 30 June 1989	Quarter ended 31 March 1989	Year ended 30 June 1989
OPERATING RESULTS			
Gold			
Ore milled (t)	435 000	435 000	1 740 000
Gold produced (kg)	1 740,0	1 783,5	7 177,5
Yield (g/t)	4,0	4,1	4,1
Price received (R/kg)	31 899	31 296	32 406
Revenue (R/t milled)	127,83	128,54	133,91
Cost (R/t milled)	127,12	118,63	118,59
Profit (R/t milled)	0,71	9,91	15,32
Revenue (R000)	55 605	55 917	233 018
Cost (R000)	55 297	51 608	206 354
Profit (R000)	308	4 309	26 664
FINANCIAL RESULTS (R000)			
Working profit Gold	308	4 309	26 664
Net sundry revenue	1 886	2 208	7 589
Profit before tax and State's share of profit	2 194	6 517	34 253
Tax and State's share of profit	744	438	3 842
Profit after tax and State's share of profit	1 450	6 079	30 411
Capital expenditure	7 533	6 360	27 003
Dividend	8 000	—	16 000

CAPITAL EXPENDITURE. The unexpended balance of authorised capital expenditure at 30 June 1989 was R59,8 million.

DIVIDEND. A dividend (No. 77) of 20 cents per share was declared on 13 June 1989, payable to members on or about 9 August 1989.

ORE RESERVES AT 30 JUNE 1989. The detailed ore reserves will be published in the annual report. At the prevailing pay limit of 5,1 grams per ton the reserves are as follows:

Classification	Tons	STOPE Width (cm)	STOPE Value (g/t)	STOPE cm.g/t
Main Reef	1 356 000	148	6,2	918
Ventersdorp Contact Reef	92 000	147	26,5	3 896
Kloof Reef	449 000	228	6,5	1 482
Libanon Reef	28 000	163	6,9	1 125
Total and averages	1 925 000	162	7,2	1 166

6 July 1989

On behalf of the board
M. J. Tagg
A. J. Wright
} *Directors*

Doornfontein

Doornfontein Gold Mining Company Limited
(Registration No. 05/24709/06)

ISSUED CAPITAL: 40 000 000 shares of 25 cents each, fully paid.

	Quarter ended 30 June 1989	Quarter ended 31 March 1989	Year ended 30 June 1989
OPERATING RESULTS			
Gold			
Ore milled (t)	390 000	390 000	1 512 000
Gold produced (kg)	1 949,6	1 950,0	7 574,3
Yield (g/t)	5,0	5,0	5,0
Price received (R/kg)	31 028	31 294	32 358
Revenue (R/t milled)	160,26	156,64	162,33
Cost (R/t milled)	150,60	148,07	150,19
Profit (R/t milled)	9,66	8,57	12,14
Revenue (R000)	62 502	61 089	245 450
Cost (R000)	58 733	57 746	227 087
Profit (R000)	3 769	3 343	18 363
FINANCIAL RESULTS (R000)			
Working profit Gold	3 769	3 343	18 363
Net sundry revenue	2 146	2 215	7 590
Profit before tax and State's share of profit	5 915	5 558	25 953
Tax and State's share of profit	1 308	881	3 931
Profit after tax and State's share of profit	4 607	4 677	22 022
Capital expenditure	12 820	5 974	31 385
Dividend	2 000	—	6 000

CAPITAL EXPENDITURE. The unexpended balance of authorised capital expenditure at 30 June 1989 was R77,0 million.

DIVIDEND. A dividend (No. 65) of 5 cents per share was declared on 13 June 1989, payable to members on or about 9 August 1989.

ORE RESERVES AT 30 JUNE 1989. The detailed ore reserves will be published in the annual report. At the prevailing pay limit of 5,8 grams per ton the reserves are as follows:

Classification	Tons	STOPE Width (cm)	STOPE Value (g/t)	STOPE cm.g/t
Carbon Leader	1 998 000	114	7,8	889
Main Reef	1 674 000	115	7,0	805
Total and averages	3 672 000	115	7,4	851

6 July 1989

On behalf of the board
A. J. Wright
M. J. Tagg
} *Directors*

Kloof

Kloof Gold Mining Company Limited
(Registration No. 64/04462/06)

ISSUED CAPITAL: 121 100 000 shares of 25 cents each, fully paid.

	Quarter ended 30 June 1989	Quarter ended 31 March 1989	Year ended 30 June 1989
OPERATING RESULTS			
Gold			
Ore milled (t)	540 000	540 000	2 160 000
Gold produced (kg)	6 426,1	6 268,7	27 172,8
Yield (g/t)	11,9	11,6	12,6
Price received (R/kg)	32 102	31 259	32 443
Revenue (R/t milled)	382,97	363,50	408,93
Cost (R/t milled)	191,52	174,19	171,67
Profit (R/t milled)	191,45	189,31	237,26
Revenue (R000)	206 805	196 291	883 299
Cost (R000)	103 422	94 063	370 809
Profit (R000)	103 383	102 228	512 490
FINANCIAL RESULTS (R000)			
Working profit Gold	103 383	102 228	512 490
Net sundry revenue	6 666	8 630	27 710
Profit before tax and State's share of profit	110 049	110 858	540 200
Tax and State's share of profit	2 331	27 174	93 688
Profit after tax and State's share of profit	107 718	83 684	446 512
Capital expenditure	78 989	57 344	339 776
Dividend	78 715	—	151 375
Issue of debentures	—	19 075	35 425

CAPITAL EXPENDITURE

(a) The unexpended balance of authorised capital expenditure at 30 June 1989 was R833,0 million.

(b) Included in the total of capital expenditure for the quarter ended 30 June 1989 is an amount of R51,4 million in respect of Leeudoorn.

DIVIDEND. A dividend (No. 39) of 65 cents per share was declared on 13 June 1989, payable to members on or about 9 August 1989.

DEBENTURES. A final call of R13,00 per debenture was made on the holders of the partly paid unsecured convertible debentures and fell due on 3 July 1989.

SHAFTS

KLOOF

No. 4 Sub-Vertical Shaft-K. Sinking operations commenced during June and have reached a depth of 94 metres below the collar.

LEEUDOORN

No. 1 Shaft-L. A total of 1 096 metres of steelwork was installed during the quarter. Equipping operations have now progressed from shaft bottom to a position 820 metres below collar.

No. 1 Sub-Vertical Shaft. The shaft was sunk 106 metres to a depth of 211 metres below the collar. Erection of the stage winder is in progress and the foundations for the man winder are being established.

ORE RESERVES AT 30 JUNE 1989. The detailed ore reserves will be published in the annual report. At the prevailing pay limit of 7,3 grams per ton the reserves are as follows:

Classification	Tons	STOPE Width (cm)	STOPE Value (g/t)	STOPE cm.g/t
Ventersdorp Contact Reef	4 068 000	154	20,4	3 142
Kloof Reef	247 000	199	9,2	1 831
Libanon Reef	20 000	151	7,4	1 117
Total and averages	4 335 000	156	19,7	3 073

6 July 1989

On behalf of the board
M. J. Tagg
A. J. Wright
} *Directors*

Deelkraal

Deelkraal Gold Mining Company Limited
(Registration No. 74/00160/06)

ISSUED CAPITAL: 99 540 000 shares of 20 cents each, fully paid.

	Quarter ended 30 June 1989	Quarter ended 31 March 1989	Year ended 30 June 1989
OPERATING RESULTS			
Gold			
Ore milled (t)	405 000	405 000	1 620 000
Gold produced (kg)	2 429,7	2 632,5	10 124,7
Yield (g/t)	6,0	6,5	6,3
Price received (R/kg)	31 793	31 344	32 435
Revenue (R/t milled)	191,00	204,15	203,07
Cost (R/t milled)	105,17	103,19	101,75
Profit (R/t milled)	85,83	100,96	101,32
Revenue (R000)	77 355	82 680	328 969
Cost (R000)	42 593	41 791	164 836
Profit (R000)	34 762	40 889	164 133
FINANCIAL RESULTS (R000)			
Working profit Gold	34 762	40 889	164 133
Net sundry revenue	5 053	4 819	16 463
Profit before tax and State's share of profit	39 815	45 708	180 596
Tax and State's share of profit	3 457	4 917	15 713
Profit after tax and State's share of profit	36 358	40 791	164 883
Capital expenditure	21 216	14 899	70 931
Dividend	49 770	—	79 632

CAPITAL EXPENDITURE. The unexpended balance of authorised capital expenditure at 30 June 1989 was R269,6 million.

DIVIDEND. A dividend (No. 13) of 50 cents per share was declared on 13 June 1989, payable to members on or about 9 August 1989.

No. 3 SHAFT

The shaft was sunk 152 metres to a depth of 463 metres below collar. Progress is being hampered by the intersection of water bearing fissures.

ORE RESERVES AT 30 JUNE 1989. The detailed ore reserves will be published in the annual report. At the prevailing pay limit of 4,0 grams per ton the reserves are as follows:

Classification	Tons	STOPE Width (cm)	STOPE Value (g/t)	STOPE cm.g/t
Ventersdorp Contact Reef	2 280 000	146	7,5	1 095
Deelkraal Reef	341 000	175	5,3	928
Total and averages	2 621 000	150	7,2	1 080

6 July 1989

On behalf of the board
A. J. Wright
M. J. Tagg
} *Directors*

GOLD FIELDS
OF SOUTH AFRICA LIMITED

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Canada approves merger of Molson and Carling

By Robert Gibbens in Montreal

THE PLANNED merger of the Canadian-based brewing operations of Molson Companies and Elders IXL, the parent of Carling O'Keefe of Canada, has been approved by the Federal Competition Bureau, the country's anti-trust body.

After six months' study, the bureau found that the merger, which will create the largest brewer in Canada, was not a threat to competition in general. However, it expressed some concern about Alberta and Quebec. The merger is a key move in the Australian Elders' North American strategy.

Competitive forces will be maintained by more liberal rules for the import of lower-priced US beer and the presence of strong regional brands in most provinces.

The new, enlarged Molson Breweries will account for just over 50 per cent of the domestic market, against about 40 per cent for rival John Labatt, which until last January was the number one brewer.

Molson Breweries will also become number two among imports into the US. Both Molson and Labatt, facing a stagnant domestic market, have been trying to increase business in the US and Europe by acquisition and licensing arrangements.

The merged company will now proceed with a rationalisation programme in Canada. It will close several smaller breweries and about 1,400 jobs will go, mainly through attrition and early retirement.

The company expects to reduce costs to near-American levels by concentrating production in Canadian super-breweries which will serve both Canadian and international markets.

The Competition Bureau requires Molson to improve termination and early retirement arrangements and retraining programmes. The bureau will monitor competition across the country, particularly in Alberta and Quebec, for three years.

The merger has to be approved by Investment Canada's review because of Carling's Australian ownership, but problems are not expected.

Apple to sell stake in software company

By Louise Kehoe in San Francisco

APPLE Computer announced yesterday that it is to sell its 16.4 per cent stake in Adobe Systems, the leading provider of text font software that enables computers to display and print text in *different* font styles and sizes.

Apple also said that it was developing its own alternative to the Adobe programs which it currently licenses for use on the Macintosh personal computers and laser printers. It added that it will gradually phase out its purchases from Adobe.

Apple acquired almost 3.5m shares in Adobe in November 1984 for about $2.5m in connection with a product development agreement. Based on the price of Adobe stock on June 30, Apple said that the shares are now valued at about $91m.

However, Adobe's stock price fell sharply yesterday, from a Wednesday close of $26⅝ to a low of $22⅛. The stock price recovered in heavy trading to $24¼ at mid-day, putting the current value of Apple's holding at about $84m. Apple Computer's stock price rose from $40½ to $41¼.

"*We are selling the shares* principally to take advantage of the significant appreciation in Adobe stock that has resulted from Adobe's success," said Albert Eisenstat, senior vice president and secretary of Apple.

The timing of the sale has also been influenced by Apple's development programme of products that are competitive with those of Adobe, *he added. The first of* these software products will be available next year, said the company.

Apple said it would be selling the Adobe shares to Morgan Stanley and Hambrecht & Quist for resale to the public in an underwritten offering.

Apple is Adobe Systems' largest investor and customer. Adobe Systems said, however, that the percentage of its total revenue represented by Apple Computer had declined over the past three years.

Apple accounted for 34 per cent of Adobe's sales in 1986 but only 33 per cent in fiscal 1988, the software company said.

Gold production cuts hit GFSA

By Jim Jones in Johannesburg

LOWER GOLD production and higher costs combined to eliminate the advantages of slightly higher gold prices for the mines of the Gold Fields of South Africa (GFSA) group during the June quarter.

The future ownership of the group is in question, following the acceptance this week by Consolidated Gold Fields of the UK, which controls 38 per cent of GFSA, of a £3.5bn ($5.7bn) bid from Hanson – which is likely to sell many Gold Fields assets.

Announcing its mine results in Johannesburg yesterday, *GFSA officials would say nothing* about the takeover, nor whether GFSA and its Driefontein Consolidated subsidiary would accept the Hanson bid for the 7.5 per cent cross-holding in Gold Fields that they jointly control.

Gold production dropped by 6 per cent from the March quarter's level, largely because of lower recovery grades at the east section of the Driefontein Consolidated mine. Working costs rose by 5 per cent on the quarter. Drie Cons's grade dropped as toe values of grades in the central part of the east section snddenly fell.

Mr Allan Wright, managing director of the group's gold division, believes that the section's grade will remain at its latest 8.6 grams per tonne (g/t) for the next six months before new stopes - working faces - are opened and grade again rises to between 10 g/t and 11 g/t.

Kloof, the second largest of the GFSA mines, has been badly affected by seismic activity and loss of working faces due to accompanying rock falls. This has forced the mine to increase development rates, open additional stopes and strengthen supports underground.

Kloof's capital expenditure is expected to be *higher than the* R329m ($121m) of the past 12 months, with increased spending on shaft sinking and development at the new Leeudoorn section of the Kloof mine.

Greater use of timber has also raised Libanon's costs. The mine is opening new areas and needed to refurbish old haulages to give access to them.

Venterspost has started sinking the shaft to open its new mining area and expects heavy capital spending for a few years.

Ore production was affected by a fire at the mine in June and, Mr Wright warns, production losses are continuing into this month.

Deelkraal expects to start paying formula mining tax during the present quarter. Its period of mining higher grades has ended and gold recovery dropped to 6 g/t in the June quarter, which Mr Wright believes should be sustainable.

Doornfontein is continuing to develop its new mining area in the south of the property. Its capital spending is still greater than the profits it generates.

GFSA GOLD QUARTERLIES

	Gold produced (kg) Jun 89	Gold produced (kg) Mar 89	After-tax profit (Rm) Jun 89	After-tax profit (Rm) Mar 89	Earnings per share (cents) Jun 89	Earnings per share (cents) Mar 89
Deelkraal	2,430	2,633	36.4	40.8	15.2	26.0
Doornfontein	1,950	1,950	4.6	4.7	(20.5)	(3.2)
Drie Cons	13,242	14,895	148.2	152.9	43.0	50.3
Kloof	6,426	6,289	107.7	83.7	23.7	21.8
Libanon	1,740	1,784	1.5	6.1	(15.2)	(0.7)
Venterspost	1,526	1,560	0.2	2.7	(13.7)	(7.4)
Vlakfontein	258	257	0.2	(0.3)	0.1	(5.1)

Earnings per share calculated after tax and capital expenditure. Parentheses = loss

Bond stock succumbs to selling

By Chris Sherwell in Sydney and Michael Marray in Hong Kong

THE BUSINESS empire of Mr Alan Bond, the besieged Australian entrepreneur, was looking even shakier yesterday after shares in his companies succumbed to further selling on Australian stock markets.

Shares in the flagship Bond Corporation slithered to 64 cents, down 8 cents on the day, having at one stage touched 56 cents, its lowest in several years. On Wednesday they had fallen 10 cents.

Early last week Bond Corporation shares were still above A$1, already more than halved from their 1988 high of A$2.35. The fall is being matched by other companies in the Bond stable, for example Bell Resources, which at 62 cents was down 10 cents.

The group's bankers, despite their suspected role in encouraging Mr Bond's gambits, are said to be growing increasingly nervous about the group's capacity to repay its enormous debts. Further blows over the past two months have eroded confidence.

A programme of asset sales has hit snags, as has the grand plan to restructure the group through the sale of Bond Corporation's brewery business to Bell Resources for A$3.5bn (US$2.7bn). Equally damaging was last month's finding by the Australian Broadcasting Tribunal that Mr Bond was not "fit and proper" to hold a broadcasting licence.

Other troubles include the late payment of dividends, the revelation of A$900m in loans by Bell Resources to associated companies including Bond Corporation, *the failure of Bond* Corporation to repay on time a loan from its Hong Kong unit, and a technical default on a debt payment by the Heileman brewing operation in the US.

It was announced in Hong Kong yesterday that the HK$270m (US$34.6m) overdue to the locally listed Bond Corporation International (BCIL) had now been repaid. At the same time BCIL declared a second special dividend arising *from the recently completed* disposal of the territory's Bond Centre office building, channelling a further HK$353m cash to its 66 per cent parent.

BCIL acknowledged that the large dividend payouts would defer decisions on its own future role, perhaps as a global property vehicle.

According to one analyst yesterday, the future of the whole group still remains "hard to call." *If Mr Bond* could quickly finalise some large asset sales, even with losses, sentiment might turn round, *he said. The alternative* seemed to be the liquidator.

Broking analysts are negative about the group, having *given up studying it because* they saw little in its prospects to recommend to institutional clients. *Yesterday even Merrill* Lynch, one of the most recent enthusiasts, lowered its "equity opinion" on the group for the second time, to the "high risk" category.

US retailers show flat sales

By Anatole Kaletsky in New York

THE BIG US retailing chains experienced indifferent sales growth in June, with many of the stores groups reporting declines in underlying revenues, after accounting for inflation.

However, specialty fashion retailers, like Gap and The Limited, appeared to do much better than general merchandise stores, continuing a pattern of recovery from the disappointing 1988 fashion season.

The June sales figures were roughly in line with market expectations and left most of the retailing shares flat or slightly up in moderate trading on Wall Street.

But the indications of lacklustre retail demand, combined with the weak figures on car sales announced in Detroit on Wednesday, exacerbated the pessimism on Wall Street about the forthcoming quarterly *results from many consumer-oriented companies.*

Sears Roebuck, the biggest US retailer, announced that June revenues were up by only 2.9 per cent to $3.1bn. Sales from stores which had been open for a year or more, known as comparable store sales, because they give a better indication of underlying sales trends, increased by 3.6 per cent.

Mr Samuel Liss, an analyst at Salomon Brothers, said sales of domestic goods were particularly weak and Sears' results indicated a general weakness in durable goods demand in the economy.

At K mart, the second largest US retailer, comparable store sales increased by only 2.3 per cent, while total sales were up 5.7 per cent. J.C. Penney announced a comparable stores increase of 4.8 per cent.

Among the big general merchandisers only Wal-Mart, the rapidly growing discount group based in Arkansas, reported a comparable store advance significantly above the rate of inflation.

Its comparable store sales increased by 10 per cent, while total sales grew by 25 per cent. *But even* these figures were considerably lower than Wal-Mart's historic growth rate.

Some of the fashion retailers did better, with Gap reporting a 13 per cent advance in comparable store sales and a 23 per cent gain in total sales.

Comparable stores sales at The Limited increased by 12 per cent and total sales gained 11 per cent.

Analysts noted, however, that these comparisons were made against the disappointing results of the last summer season, when women rejected the short skirts and other new fashion items, leaving the specialist retailers with huge excess inventories and big losses.

Roche loses acne drug case in US

By Roderick Oram in New York

HOFFMANN-LA ROCHE, the Swiss pharmaceuticals group, has lost its first US court case involving its controversial acne drug, Accutane.

A Mississippi jury awarded almost $1m in damages to a woman for medical complications she suffered while being treated for a skin disorder with the drug. The US subsidiary of Hoffmann-La Roche said it was considering its options, including a possible appeal.

Earlier cases were settled out of court, dismissed or won by the company. Some 30 more cases are still pending, Hoffmann-La Roche said.

The company has gone to unusual lengths to safeguard against Accutane being used by women who are pregnant or might become pregnant during the treatment. Accutane has been linked to severe, sometimes fatal, birth defects since it was approved in 1982 for use in the US to treat cystic acne.

In the Mississippi case, Ms Mary Kathryn Thomas was prescribed Accutane in 1984 for acne rosacea. She subsequently suffered headaches, coma-like seizures and other disorders which led to hospitalisation.

Seizures have been reported by some users of Accutane but *Hoffmann-La Roche* said there was no link between the two. Moreover, the drug should never have been prescribed for Ms Thomas's form of acne.

Her lawyers argued, though, that the company was liable because its warnings were inadequate for doctors to make a decision about the applicability of the drug.

Skin specialists opinions of the drug differ sharply. Some use it to treat a wide range of acne.

Court told of 'rewritten history'

By Raymond Hughes, Law Courts Correspondent

THE BOND empire was accused in the High Court in London yesterday of "rewriting history" in a statement about the ownership of about 76m shares in Lonrho, the international trading conglomerate.

Mr William Stubbs, QC, for Lonrho, said that initially it had been said that the shares had been purchased by Bond Corporation Holdings and/or its wholly-owned subsidiary, Hurstmere Finance.

Then Lonrho had been told that there had been a mistake and that the buyer had in fact been a company in the Bell Group, in which Mr Alan Bond has a controlling interest.

"Lonrho has had two contradictory stories and one does not know which is the truth," Mr Stubbs told Vice-Chancellor Sir Nicolas Wilkinson, the senior judge of the High Court Chancery Division.

Mr Stubbs said that when he comes to cross-examining Bond witnesses – who are expected to include Mr Bond himself – he will try to establish that the first story had been the correct one and that the later statement that Bell had bought the shares had been a rewriting of history.

Lonrho claims that there is no documentary evidence that Bell was the purchaser.

If, however, it transpired that Bell had in fact been the purchaser, Lonrho would argue that Bond representatives in Australia had displayed a high degree of irresponsibility in not correcting as soon as possible the market misapprehension that the shares had been bought by Bond Corporation Holdings, Mr Stubbs said.

He said Lonrho would not pursue its allegation that there had been a deliberate intention to mislead in relation to the ownership of the 76m shares.

Lonrho is asking the court to freeze 114m of its shares on the ground that Bond did not give correct answers when Lonrho sought information about the ownership of its share through notices issued under section 212 of the 1985 Companies Act.

In September and October last year Bond interests bought a total of 95m Lonrho shares – 21.5 per cent of the equity – in four tranches. Two bonus issues have increased the holding to 114m. The dispute relates principally to the 76m shares in the last three tranches.

The hearing continues today.

Rice wine moves into California

GEKKEIKAN Sake, a leading Japanese maker of rice wine, *says it is to join two other* Japanese companies to establish a joint venture in California to make sake in the US, AP-DJ reports.

Gekkeikan said that the new company, Gekkeikan Sake (USA), would be set up in Folsom near Sacramento this month, and aims to start production in 1990.

Air Canada issue at discount

By Robert Gibbens

THE Canadian Government expects to sell its 55 per cent holding in Air Canada, the national airline, for nearly C$500m (US$420m).

The price for the issue - the second part of the Government's sell-off - due in the next *two weeks will be C$12 a share,* or a discount of 25 cents a share from the market level on Wednesday.

The airline's stock has traded near a high of C$14 a share this year.

The Government is selling 41.1m shares, the proceeds of which will go to its consolidated revenue fund.

About one-quarter of the shares will be offered abroad, mainly in Europe. The issue was not registered in the US because of the high cost involved.

The underwriting group, led by RBC Dominion Securities and Wood Gundy, has already bought the Government's block and is reselling the shares to the public.

Last autumn Air Canada sold 31m new shares to the public at $8 a share. The C$240m proceeds went to *support the company's C$2bn* re-equipment programme.

Since then Wardair has been acquired by Canadian International Air Lines, thus reducing the disastrous domestic competition of 1988.

Air Canada earned C$96m on revenues of C$3.4bn last year. Despite a 1989 first-quarter loss, profits for the whole year are expected to be substantially higher than in 1988.

● Olympia and York, a Canadian real estate developer, has emerged as the top bidder for Sears Tower, offering $1.04bn for the 110-storey Chicago building and the nearby three-storey parking garage, the Chicago Tribune said, Reuter reports.

Quoting officials close to the bidding, the newspaper said the biggest stumbling block was Olympia and York's reluctance to allowing Sears, Roebuck to retain the Sears name on the 15-year-old landmark.

Olympia and York would not discuss specifics of its offer, and Sears declined to comment on the report.

BOC subsidiary to sell division to management

By Clay Harris

COMMONWEALTH Industrial Gases (CIG), the Australian subsidiary of the UK's BOC Group, is to sell its manufacturing interests in cutting and welding equipment to management for £32.3m (US$52.4m).

The deal includes an 87 per cent stake in Philippine Welding Equipment.

CIG, a listed company which is 88 per cent owned by BOC, will continue to distribute welding equipment in Australia. CIG will lend about £5.7m to the buy-ont vehicle but will not retain any equity interest.

The move follows BOC's withdrawal from manufacturing welding equipment in the UK and America, although it still has distribution interests. The disposal price represents a surplus of £12.5m over the assets' book value.

BTR buys out American partner

BTR NYLEX, the 63-per-cent-owned Australian subsidiary of UK conglomerate BTR, has bought out the US partner with which it owns a Japanese maker of garment fasteners, writes Clay Harris.

The price paid for Scovill's 50 per cent stake in Scovill-Japan, and the company's sales and profits, were not disclosed.

Scovill-Japan will be wholly owned by Sanshin Enterprises, a Nylex subsidiary which makes synthetic rubber products and artificial limbs and distributes hearing aids and spectacle frames.

Nylex bought Sanshin in 1987 for £14m (US$22.7m). It bad formerly been partly owned by another BTR subsidiary.

ICI Australia and NZ consolidate

By Peter Marsh

IMPERIAL Chemical Industries, Britain's biggest chemicals group, plans to consolidate its operations in Australia and New Zealand under *the ownership of a single company* based in Australia.

The group operates in the region through two companies with linked shareholdings, ICI Australia and ICI New Zealand.

The Australian company plans to buy the 25 per cent of the New Zealand company that it does not already own, at a cost of NZ$29.5m (US$17.1m). ICI described the move as a "tidying up" operation.

BDDP buys control of Batey Ads

By Our Financial Staff

BDDP, the French advertising agency which lost its battle to take over Boase Massimi Pollitt in the UK this year, has gained several outlets in Pacific Rim countries through a deal with Batey Ads Group of Singapore.

It has bought an unspecified majority of Batey, which it describes as Singapore's largest and most successful agency. Batey also has outlets in Hong Kong, Malaysia and Los Angeles, and plans to open in Thailand, Taiwan and Australia. Clients include Singapore Airlines and United Overseas Bank.

INTERNATIONAL CAPITAL MARKETS

Rebounding dollar supports bonds

By Janet Bush in New York, George Graham in Paris and Stephen Fidler in London

A REBOUND in the dollar after its precipitous fall in recent days helped US Treasury bonds to arrest their decline this week.

Trading remained cautious prior to today's US unemployment figures and as dealers watched the Fed closely for any signs of a change in monetary policy.

In late trading, some long-dated issues were quoted ¼ point higher, while the Treasury's benchmark long bond stood ⅜ point up for a yield of 8.09 per cent.

GOVERNMENT BONDS

The short end of the market was up around ¼ point, reflecting some caution after outperforming the long end earlier in the week.

The dollar was quoted well above earlier lows of Y137.85 and DM1.8790 to stand at Y138.85 and DM1.8860 in late trading. This was the key factor helping bond prices yesterday.

The Fed decided not to execute matched sales to drain liquidity from the money market yesterday, although bond analysts said there was a need to drain to maintain the status quo on the Fed funds rate. The omission suggested to some that an easing move may have begun. The FOMC was due to end its two-day meeting yesterday.

Fed funds had traded steadily at 9¼ per cent throughout the morning session yesterday, then slipped to 9⅛ per cent after the Fed's intervention time went by with no operation.

The yield curve maintained its upward tilt yesterday with three-month bills yielding around 8.02 per cent and two-year bond issues yielding around 7.89 per cent.

Few had expected any decision to emerge from the FOMC until it had seen today's unemployment figures for June. The consensus forecast is for a rise in the non-farm payroll of just over 200,000 compared with May's gain of 101,000. The June figures include five rather than four weeks of unemployment statistics, which accounts for the larger expected rise in the non-farm payroll.

A figure of anywhere around 200,000 would be construed as showing enough economic weakness for the Fed to ease Fed funds by another ¼ point. A figure of 250,000 or more would be interpreted as restraining any easing move by the Fed.

Bond economists cautioned that there is considerable risk that the bond market could suffer more from a strong gain in the non-farm payroll than benefit from a weak number because expectations of a soft number are so widespread.

■ THE FRENCH Government yesterday carried out its first auction of Ecu-denominated state bonds, following the successful syndicated sale of the same Ecu bond in April.

The Government accepted bids for 352m Ecus, 45 per cent of the bids submitted, at a cut-off price of 99.55 per cent, giving a weighted average yield of 8.56 per cent. April's placing, bought mostly by individual investors, had a yield of 8.66 per cent.

Dealers said that the first auction tranche should go a considerable way towards making the 8.5 per cent 1997 Ecu bond into a reference for the market. Most of the April placing is firmly held, but around 100m Ecus worth is still be traded.

The dealers said that yesterday's tranche, bought mostly by international institutions, would add perhaps 300m Ecus to the float.

At the same auction, the Government sold FFr3.7bn of French franc bonds, including FFr3.77bn of the 10-year fixed rate OAT 8.125 per cent 1999.

The Government accepted less than a quarter of the bids submitted, and the cut-off price gave an average yield on the 10-year bond of 8.7 per cent, 15 basis points below June's auction level.

A further FFr2.98bn was sold of the 30-year fixed rate OAT 8.5 per cent 2019, at a cut-off price of 95.7 per cent. This gives an average yield of 8.91 per cent, 23 basis points below the last auction of this bond in May.

Only FFr2bn was sold of the floating rate OAT TME 2001, indexed on the average of government bond secondary market yields. The margin of 40 basis points below the index was considerably tighter than the 63 basis points recorded when the bond was last auctioned in April.

The FFr2bn accepted at a price of 97.4 per cent was well clear of the rest of the market. The remaining FFr3.75bn of bids went no higher than 97.2 per cent.

■ The success of the French auction helped push the Paris government bond market higher, and prices ended the day 20 to 25 centimes above Wednesday's close.

It thus provided a contrast to most of the other European markets, where the prospect of today's US unemployment figures and the feeling that the dollar's recent sharp declines may be due for a temporary reversal made for a cautionary approach.

Nevertheless, with a current yield differential of more than 2 per cent above its German counterpart, there are still expectations that the French market can outstrip the performance of its neighbours.

The German market turned lower, despite purchases in the market by the Bundesbank, even after a firmer start. The announcement of revised inflation figures, showing inflation in the year to June at 3.1 per cent, instead of the provisionally estimated 2.9 per cent, led the market to lose its early morning gains.

The market closed about 10 pfennigs weaker, with some US investment banks reported to be switching out of the German market into US Treasuries and into the French market. The Dutch market kept in step with the German, preserving a yield premium of about 40 basis points.

The UK market's three-day rally stalled too, with investors becoming cautious about whether sterling can indefinitely sustain the gains of the past couple of weeks. Sterling's trade-weighted index was 0.1 point higher at 91.9, but conventional gilt prices were up to ¼ point lower.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	9/92	105-30	-6/32	11.23	11.36	11.42
		8.750	1/96	95-08	-14/32	10.51	10.59	10.77
		9.000	10/08	95-17	-17/32	9.51	9.56	9.76
US TREASURY *		9.125	5/99	107-08	+9/32	8.07	8.13	8.34
		8.875	2/19	108-23	+14/32	8.09	8.10	8.40
JAPAN	No 111	4.600	6/98	95.6896	+0.059	5.32	5.51	5.40
	No 2	5.700	3/07	105.5836	+0.046	5.10	5.20	5.12
GERMANY		7.000	2/99	102.3500	-0.200	6.65	6.72	6.84
FRANCE	BTAN	8.000	1/94	98.6075	+0.072	8.92	8.94	8.85
	OAT	8.125	5/99	98.2300	+0.030	8.70	8.86	8.73
CANADA *		10.250	12/98	105.6500	+0.100	9.33	9.34	9.50
NETHERLANDS		7.000	3/99	99.3600	-0.240	7.08	7.12	7.29
AUSTRALIA		12.000	7/99	92.0468	+0.458	13.47	13.51	13.85

London closing, *denotes New York closing
Yields: Local market standard. Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

Japanese offering at Euro-clear

By Katharine Campbell

EURO-CLEAR, the Brussels based-clearing house, has begun to distribute Japanese Euroequity offerings via the operation's new issuance service.

Marubeni, the Japanese trading house, undertook a 45m international share offering last Monday. While Euro-clear began accepting Japanese equities into the system earlier this year, this was the first time a primary offering had been taken on.

Euro-clear's new issuance service helps lead managers secure same-day payment to the equity issuer, as well as delivery against payment for members of the syndicate.

The clearing house has been expanding this side of its operations to complement its Japanese equity warrants and convertible bonds settlement function. The system currently handles shares of 470 Japanese companies.

Meanwhile, in another new venture this week, the clearing house began handling a range of Swedish domestic debt securities, in response to deregulations last weekend which allowed foreigners to participate in that market for the first time. The rival Luxembourg clearing house Cedel provides the same service for Swedish fixed income securities.

RJR not to seek Swiss ruling

RJR NABISCO has chosen not to ask the Swiss courts to decide whether its $25bn buy-out by Kohlberg Kravis Roberts constituted a reorganisation of the company, according to Swiss Bank Corporation, Reuter reports from Zurich.

That means that the letters of credit guaranteeing three bonds it launched in Switzerland will remain in place, SBC said.

Lead managers SBC and J.P. Morgan Securities (Switzerland) had said they would call the bonds early if RJR did not back them with letters of credit.

The move was designed to address bondholders' concerns that their securities were threatened by the leveraged buy-out approved last April.

RJR had reserved the right to ask the courts to decide whether the buy-out represented a reorganisation under terms of the bond covenant, but will not exercise that right, SBC said.

J.P. Morgan was lead manager for a SFr275m, 5⅝ per cent, 15-year bond due in 2000 and a $124m, 6 per cent, dual-currency, 18-year bond due in 1994.

SBC led a $120m, 5⅜ per cent/10 per cent, dual-currency step-up coupon bond over 15 years due in 2001.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on July 6

US DOLLAR STRAIGHTS | Issued | Bid | Offer | Change on day | week | Yield

[illegible]

YEN STRAIGHTS | Issued | Bid | Offer | Change on day | week | Yield

[illegible]

OTHER STRAIGHTS | Issued | Bid | Offer | Change on day | week | Yield

[illegible]

DEUTSCHE MARK STRAIGHTS | Issued | Bid | Offer | Change on day | week | Yield

[illegible]

SWISS FRANC STRAIGHTS | Issued | Bid | Offer | Change on day | week | Yield

[illegible]

FLOATING RATE NOTES | Spread | Bid | Offer | C.dte | C.cpn | C.yld

[illegible]

CONVERTIBLE BONDS | Cnv. date | Cnv. price | Bid | Offer | Chg. day | Prem

[illegible]

* No information available–previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date of conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

INTERNATIONAL CAPITAL MARKETS

New issues subdued ahead of US employment data

By Katharine Campbell

THE MARKET has been riveted for most of the week on today's employment growth figures for the US economy, a factor which has curtailed new issue activity across the sector and dampened investor appetite for paper in all but the short maturities.

During the week there has been a shift in the shape of the dollar yield curve, with the shorter maturities outperforming the long end in anticipation of the Federal Reserve lowering the Fed funds rate, in response to signs of a sharp slowdown in the economy.

INTERNATIONAL BONDS

The yield curve, just positive at the beginning of the week between two-year and 30-year paper, has steepened somewhat. This means that, whereas two-year securities return around the 7.97 per cent mark, the long bond is yielding 8.10 per cent.

Meanwhile, the long end of the curve has been more affected by the drop in the dollar and by signs that inflation may be re-emerging. This could be a particular problem if the Fed eases aggressively.

At the same time, Eurobonds have considerably underperformed US Treasuries over the entire course of the rally, so spreads have widened out almost to the level they reached after the equity market crash in 1987. Clearly this trend will be reversed, but the timing is less clear.

If the June employment figures show an increase below the market's median expectations, which is 200,000, a further rally in Treasuries is likely to prolong the underperformance in the Eurodollar sector.

Conversely, if the number is higher than expected, prices on Treasuries could slide faster than those on Euros, so causing spreads to tighten.

Meanwhile, the new issues market was largely somnolent yesterday. But, in the sterling floater sector, UK building society the Alliance & Leicester issued £50m worth of 15-year subordinated debt priced at a spread of 35.5 basis points over the three-month London interbank offered rate.

Chase Investment Bank, which led the deal, was quoting a price of 99.95 bid for the paper, but said that a major portion of the issue had been pre-placed.

The paper is unlikely to trade much – subordinated debt is unattractive to most FRN investors, namely the banks, because of its implications for capital ratios.

The market felt that the terms were tight, although Chase countered that last week's floater for the same borrower carried a margin of just ⅛ per cent over Libor. That, however, was ranked as senior debt.

A solitary dollar deal with detachable warrants emerged yesterday for Japanese textile company Unitika. The four-year $300m bond carries an indicated coupon of 4⅜ per cent, to be fixed on 14 July. Lead manager Nomura International said the paper was trading ¾ per cent above the par issue price.

In Switzerland, Nippon Valqua Industries, the industrial packings manufacturer, brought a five-year convertible bond that was privately placed in a group led by Banca del Gottardo. It carries a put option after two years, and the yield on that put, 4.206 per cent, was said to have appealed to some UK institutional investors.

Paper was trading at a 2 per cent discount to the par issue price. This is outside fees to co-managers of 1⅝ per cent, but the lead manager said that the deal had been well received.

Meanwhile, the Rémy Finance SFr110m seven-year straight bond with warrants, which carries a 4.5 per cent coupon and which was launched at the beginning of the week, continues to meet steady demand.

Yesterday it was trading at a discount to issue price of 1⅝ per cent on the bid side. The warrants attached are exercisable into Piper-Heidsieck shares.

The secondary market for fixed-rate Swiss franc bonds ended a touch firmer after a day of modest trading. A recent issue for General Motors – a SFr120m issue over 10 years carrying a 6⅛ coupon – rose ⅛ point to 103, compared with its 100⅛ issue price.

In the Euro-DM sector, Wednesday's DM600m issue for the World Bank started out strongly, with the discount to the 100⅛ issue price narrowing from the initial trading level of 1.40 to 1.05 at one stage yesterday morning.

However, a rumour that the 10-year issue, which carries a 6¾ per cent coupon, would be increased in size, together with a weakening in the underlying government bond market, led to a retreat. The lead manager quoted a late price of less 1.30.

Recent Euro-DM issues saw reasonable turnover, but seasoned issues saw little action.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Unitika Ltd.‡	300	(4⅜)	100	1993	2¼/1½	Nomura Int.
Marubeni Corp.(b)‡◆	700	4⅝	100	1994	2¼/1½	Yamaichi Int. (Europe)
Marubeni Corp.(b)‡◆	500	4	100	1993	2¼/1½	Daiwa Europe
Marubeni Corp.(b)‡◆	300	4	100	1993	2¼/1½	Nikko Secs.
Hino Motors(b)‡◆	200	4¾	100	1994	2¼/1½	Nikko Secs. (Europe)
STERLING						
Alliance & Leicester(c)‡◆	50	35½bp	100	2004	20/8bp	Chase Investment Bank
SWISS FRANCS						
Nippon Valqua Ind.(a)§★★	150	(Zero)	100	1994	1⅝	Banca del Gottardo

★★Private placement. ‡With equity warrants. §Convertible. ‡Floating rate notes. ◆Final terms. a) Indicated yield to put 4.206%. b) Coupon cut by ⅜% from indication. c) 35½bp over 3-month Libor. Call at par after 5 years. Sinking fund.

Chicago exchange tries for fifth mortgage

Deborah Hargreaves on the latest CBT attempt to start a futures and options market

A recent start-up of futures and options on mortgage-backed securities at the Chicago Board of Trade is the exchange's fifth attempt to launch a successful mortgage contract. But the CBT's bid to cash in on this lucrative market has got off to a slow start and the exchange is hoping the new contracts will not be as shortlived as its previous attempts.

It is not the best time to launch a derivative on the huge mortgage-backed securities market, since prices have slumped in the first part of this year. Mortgage lending has also dropped and the volume of new mortgage-backed securities halved in the first quarter to $10.8bn from the same period last year.

But the potential market for a mortgage-backed securities' derivative is huge and untapped by an exchange product. New issues of mortgage-backed securities have been greater than Treasury bond issues (with maturities of 10 years or over) for the past several years.

The CBT hopes its new contracts will fill an industry need for futures and options to hedge cash exposures – it is the first time the exchange has launched a futures and options contract simultaneously.

"This contract in many ways mimics the forwards market, which is why it may be successful," comments Mr Michael Kamradt, vice president at Continental Bank in Chicago.

The CBT hopes its new contracts will fill an industry need for futures and options to hedge cash exposures – it is the first time the exchange has launched a futures and options contract simultaneously.

The huge forward market which trades over the counter saw a volume of 19bn contracts with a value of over $240bn last year, outstripping the lucrative off-exchange market for Treasury bond forwards.

The CBT contract is trying to complement the over-the-counter market, Mr Kamradt believes, with the big difference that no physical delivery is involved.

"No way can this replace the forward market, but it can help with price discovery," he says.

The CBT's experience with mortgage-backed securities dates back to the launch of its first interest rate futures contract in 1975. That contract, the "Ginnie Mae" Credit Depository Receipts traded 12m lots until its demise last year.

The downfall of the CBT's earlier attempts to trade futures on the MBS market has been its inability to tie contracts to changing exchange rates. It was the plunging exchange rates of the mid-1980s that led to the decline of its first Ginnie Mae futures. That contract traded 863,000 lots in 1984, but only 84,000 in 1985, as it remained locked into a higher interest rate.

A second bid to trade a Ginnie Mae, this time as a certificate of deposit, struggled for four years from 1978 to its demise in June 1982. After that, a Ginnie Mae mark two traded for six months in 1984 and in May 1985, a cash-settled futures contract was listed for five months. The CBT has fine-tuned each new contract it issues in a bid to establish it as a derivative. The new contract will be cash-settled – a successful feature of its preceding futures contract. It is also designed to give the exchange a chance to track changes in the Ginnie Mae market.

Under the design of the new contract, the CBT will be able to base the futures on the latest coupon to be released by the Government National Mortgage Association. Every month, the exchange will be able to assess which coupon in the esoteric MBS market is trading closest to the current interest rate on mortgage loans and adjust its futures contracts accordingly.

The trading pit for MBS futures and options has been given a prime site at the exchange, in view of both Treasury bond and T-note futures, which the exchange hopes will encourage spread trading.

However, in a market that has not been very volatile with mortgage rates declining, there is little current need for a hedging vehicle as initial trading volume on the contracts has shown. Futures volume is yet to rise over 100 lots per day and even fewer options are trading.

Mr Mark McCartin, president of Bloomfield Mortgage, says this is a feature of the contract that will be most useful to him.

Nevertheless, Mr McCartin believes the option could well take off before the futures contract, since the CBT's contract marks the first time mortgage bankers have had an option available.

If the contracts are not successful, it will not be for want of trying by the CBT. The trading pit for MBS futures and options has been given a prime site at the exchange, in view of both Treasury bond and T-note futures, which the exchange hopes will encourage spread trading.

The CBT has also launched a permit programme to make it cheaper and easier for traders and outsiders to trade the new contracts.

Danish futures costs top budget

By Hilary Barnes in Copenhagen

TURNOVER IN the Danish futures and options market, which opened last autumn, has been so low in the first half-year that broking firms have been asked to pay extra amounts to cover the cost of the system.

The budget for the Guarantee Fund for Futures and Options, which operates the all-electronic system, was based on the assumption that about 2,500 contracts would be made per day.

But the average daily number for the main instrument in the first half was only 989, although it picked np to a record level of 1,156 in June.

Mr Jens Otto Veile, chief executive of Provinsbank and chairman of the Gnarantee Fund, said: "There is nothing extraordinary about the situation, and there's no need to panic."

He said that the start-up costs of the system were necessarily fairly heavy and it was just unfortunate that turnover in the initial period was so low.

There are two basic reasons for the poor trading record.

Firstly, it has been a period of onusually low turnover and price stability in the bond market, on which the options and futures instruments are based, and secondly the Government has failed to clarify tbe tax position for private investors.

Until the legal position for private investors has heen sorted out, they are staying out of the market. A further setback for the market is tbe delay in introducing an instrument based on the equities index.

The Stock Exchange has had difficulty working out a satisfactory base for the index. Ironically, turnover in the equities market has been lively this year, with prices achieving new record levels. It is now expected that the equity-based instrument will be introduced late this year, probably in December.

The broking firms affiliated to the Guarantee Fund were asked to pay an extra DKr500,000 to cover first half costs. They were also asked to guarantee payments of DKr350,000 eacb, over and above the budget for the second half.

Three broking firms withdrew from the fund and, as several mergers have taken place among broking firms, the number participating in the market has fallen from 45 at the start to 36.

● Analyste at Privatbanken predict a serious shortage in bonds on the Copenhagen markets over the coming period. The net supply would be about DKr20bn in 1989 and DKr40bn in 1990, against a placement requirement from institutional investors of abont DKr56bn and DKr97bn next year.

Taiwan reform threat to investment houses

THE TAIWAN Government is threatening the island's buge underground investment houses with a legislative bomb whicb could destroy some and send shockwaves through tbe stock market, Renter reports from Taipei.

The new banking law being debated in parliament, which could pass its final reading today, would allow tbe creation of private banks for the first time and offer foreign banks access to cheaper funds and the lucrative stock underwriting business.

At least 10 new private banks are expected to spring up when the new law is passed to shake the creaking, state-dominated system.

Foreign banks will be allowed to take long-term deposits and make long-term loans which will boost their role in the lucrative consumer finance market.

They also will be allowed to expand their trust businesses, marketing and selling overseas trust funds. In addition they will be able to apply for underwriting licences, giving them access to the booming local stock market.

But attention is focused on an article in the law which threatens the survival of an estimated 200 underground investment houses which have attracted a big slice of Taiwan's savings with unbeatable interest rates.

The article imposes heavy penalties on operators of illegal deposit-taking companies, which is what the investment houses have become in all but name.

Economists say there could be runs on the institutions by panicky investors that could bring some down, prompt a crash on the stock market and spark a political crisis.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS. Figures in parentheses show number of stocks per section

	Thursday July 6 1989 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at 25%)	Est. P/E Ratio (Net)	xd adj. 1989 to date	Wed Jul 5 Index No.	Tue Jul 4 Index No.	Mon Jul 3 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (206)	959.67	+0.1	11.04	4.17	11.13	15.85	958.39	959.54	956.11	880.28
2 Building Materials (29)	1189.20	-0.7	12.22	4.47	10.09	25.78	1187.92	1185.34	1185.75	1017.86
3 Contracting, Construction (37)	1622.61	+0.5	14.49	4.32	9.05	32.37	1615.15	1618.61	1605.45	1507.41
4 Electricals (9)	2818.65	-0.3	8.47	4.88	14.57	58.60	2827.30	2847.12	2824.35	2182.60
5 Electronics (30)	2194.28	+0.8	8.99	3.57	14.51	23.92	2179.63	2191.26	2182.12	1739.71
6 Mechanical Engineering (55)	532.45	+0.3	10.83	4.00	12.27	8.48	531.06	531.18	526.99	415.36
8 Metals and Metal Forming (6)	513.59	+0.4	19.92	5.89	5.51	5.02	511.40	511.84	512.57	499.07
9 Motors (17)	326.92	+0.2	11.33	4.65	10.36	6.83	326.17	325.69	325.76	281.72
10 Other Industrial Materials (23)	1644.39	-0.2	9.24	4.25	12.93	30.21	1647.38	1650.63	1643.97	1334.85
21 CONSUMER GROUP (187)	1248.70	+0.2	8.93	3.63	14.82	19.18	1237.92	1240.18	1232.55	1092.42
22 Brewers and Distillers (22)	1357.70	+0.1	10.05	3.68	12.51	19.65	1356.48	1357.85	1349.37	1185.78
25 Food Manufacturing (20)	1127.76	+1.5	9.81	3.70	13.90	18.43	1111.12	1109.82	1099.50	993.53
26 Food Retailing (15)	2377.14	+1.0	8.67	3.21	15.10	25.59	2353.83	2355.16	2346.49	2026.90
27 Health and Household (14)	2225.40	-0.8	6.67	2.67	17.82	22.08	2241.74	2256.39	2233.04	1868.53
29 Leisure (33)	1654.70	-	7.51	3.35	16.68	28.79	1655.36	1659.42	1651.19	1326.82
31 Packaging & Paper (15)	567.81	+0.1	10.25	4.32	12.33	8.30	567.14	570.14	564.17	532.53
32 Publishing & Printing (19)	3539.81	+0.5	8.78	4.78	14.60	71.68	3521.54	3534.05	3524.45	3513.08
34 Stores (34)	817.37	-0.1	11.10	4.41	11.79	16.19	817.95	818.27	815.27	797.37
35 Textiles (15)	541.61	-	10.99	5.35	10.89	14.97	541.34	543.18	539.47	618.86
40 OTHER GROUPS (93)	1114.32	-	10.22	4.23	11.90	14.44	1113.87	1116.46	1116.57	989.34
41 Agencies (17)	1352.96	-0.5	7.42	2.41	17.10	15.02	1358.98	1376.79	1374.54	1175.36
42 Chemicals (22)	1264.73	-1.2	11.29	4.76	10.46	26.40	1275.84	1282.54	1282.67	1098.21
43 Conglomerates (13)	1641.36	+0.1	10.14	4.89	11.62	25.22	1659.31	1656.41	1646.53	1215.48
45 Transport (13)	2458.54	+0.2	8.54	3.67	15.20	39.22	2454.18	2466.98	2452.32	1809.85
47 Telephone Networks (2)	1060.83	+0.7	11.76	4.68	11.03	2.76	1053.49	1059.33	1063.57	988.82
48 Miscellaneous (26)	1649.91	+0.4	9.65	3.57	11.58	23.05	1642.96	1656.53	1661.69	1186.05
49 INDUSTRIAL GROUP (486)	1152.33	+0.1	9.88	3.95	12.58	17.33	1150.63	1152.70	1148.46	979.80
51 Oil & Gas (14)	2095.78	-0.6	14.14	5.34	13.11	52.03	2107.29	2139.92	2124.64	1654.15
59 500 SHARE INDEX (500)	1233.25	-	9.91	4.13	12.57	20.10	1231.58	1236.84	1231.31	1051.48
61 FINANCIAL GROUP (124)	738.41	-	-	5.48	-	17.86	738.23	733.49	729.69	718.66
62 Banks (8)	716.92	-0.6	24.84	6.76	5.29	21.71	715.04	721.37	716.99	683.36
65 Insurance (Life) (8)	1082.96	+0.4	-	5.51	-	29.86	1078.80	1073.42	1068.32	1071.12
66 Insurance (Composite) (7)	573.99	-0.5	-	6.27	-	16.75	576.82	577.61	573.76	548.79
67 Insurance (Brokers) (7)	954.97	+0.1	7.91	6.50	17.81	31.63	954.27	962.22	966.35	1012.06
68 Merchant Banks (11)	332.70	+0.5	-	4.67	-	7.30	330.90	331.49	331.07	358.28
69 Property (52)	1312.57	+0.6	6.34	2.92	20.11	16.19	1304.86	1311.57	1305.35	1220.17
70 Other Financial (31)	362.19	+0.7	11.72	6.06	10.87	8.59	359.50	360.95	358.75	309.84
71 Investment Trusts (69)	1158.90	+0.2	-	2.82	-	14.72	1157.14	1159.13	1156.76	918.66
81 Mining Finance (2)	662.96	-	8.70	3.87	12.88	18.45	663.05	664.96	656.88	534.27
91 Overseas Traders (8)	1336.27	+0.5	11.19	5.58	10.16	30.87	1329.33	1330.33	1336.52	1198.66
99 ALL-SHARE INDEX (713)	1110.00	-	-	4.28	-	19.41	1109.36	1113.48	1108.83	963.20

	Index No.	Day's Change	Day's High(a)	Day's Low(b)	Jul 5	Jul 4	Jul 3	Jun 30	Jun 29	Year ago
FT-SE 100 SHARE INDEX†	2163.2	-1.7	2171.5	2160.3	2162.9	2174.4	2165.6	2151.0	2182.8	1855.5

FIXED INTEREST

PRICE INDICES	Thu Jul 6	Day's change %	Wed Jul 5	xd adj. today	xd adj. 1989 to date
British Government					
1 5 years	117.35	+0.03	117.54	0.23	6.41
2 5-15 years	131.50	-0.07	131.66	-	7.04
3 Over 15 years	143.02	-0.27	143.40	-	7.09
4 Irredeemables	164.88	-0.53	165.76	-	7.32
5 All stocks	129.70	-0.06	129.86	0.08	6.94
Index-Linked					
6 5 years	136.67	-	136.66	-	1.36
7 Over 5 years	134.93	-	134.93	-	1.88
8 All stocks	134.95	-	134.95	-	1.82
9 Debentures & Loans	112.75	-0.17	112.94	-	6.16
10 Preference	87.82	+0.01	87.81	-	5.29

AVERAGE GROSS REDEMPTION YIELDS		Thu Jul 6	Wed Jul 5	Year ago (approx.)
British Government				
1 Low	5 years	9.98	9.98	9.38
2 Coupons	15 years	9.45	9.42	9.45
3	25 years	9.24	9.19	9.24
4 Medium	5 years	10.83	10.83	9.87
5 Coupons	15 years	9.88	9.86	9.67
6	25 years	9.45	9.42	9.47
7 High	5 years	10.95	10.95	9.94
8 Coupons	15 years	10.10	10.07	9.84
9	25 years	9.64	9.60	9.53
10 Irredeemables		9.27	9.22	9.51
Index-Linked				
11 Inflation rate 5%	5yrs.	3.73	3.73	2.69
12 Inflation rate 5%	Over 5 yrs.	3.48	3.48	3.89
13 Inflation rate 10%	5yrs.	2.97	2.97	1.71
14 Inflation rate 10%	Over 5 yrs.	3.51	3.51	3.73
15 Debs & Loans	5 years	12.49	12.05	10.97
16	15 years	11.73	11.70	10.91
17	25 years	11.31	11.35	10.85
18 Preference		10.32	10.32	9.56

†Opening index 2169.0; 10 am 2168.2; 11 am 2166.3; Noon 2170.7; 1 pm 2170.1; 2 pm 2170.4; 3 pm 2166.6; 3.30 pm 2166.6; 4 pm 2164.3 (a) 2.41pm (b) 4.15pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 34p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	21	60	25
Corporations, Dominion and Foreign Bonds	1	14	26
Industrials	369	339	882
Financial and Properties	180	121	358
Oils	20	29	45
Plantations	0	1	10
Mines	57	34	83
Others	37	116	102
Totals	685	714	1,531

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. date	1989 High	1989 Low	Stock	Closing Price	+ or -	Net Div.	Times Cov'd	Gross Yield	P.E. Ratio
§140	F.P.	-	178	140	‡Alias Paul 5p	165	-1	L2.5	2.6	2.0	19.9
§110	F.P.	-	116	108	‡Allen	109		L4.2	2.8	5.1	8.4
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price	Amount Paid up	Latest Renunc. Date	1989 High	1989 Low	Stock	Closing Price	+ or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1989 High	1989 Low	Stock	Closing Price p	+ or -
125	Nil	-	17pm	14pm	Avesco 1p	17pm	+1
500	Nil	-	70pm	57pm	Avon Rubber	57pm	-2
170	Nil	-	26pm	18pm	Bardon Group 10p	20pm	+½
9	6	8/9	11pm	7½pm	Bear Brand	10¼pm	
62	Nil	2/8	8pm	3pm	‡Eadie Hldgs.	3pm	-1
10	Nil	-	3pm	½pm	‡Fergabrook 10p	¼pm	-¼
10	Nil	10/8	28pm	13pm	‡Global Group 10p	18pm	
78	Nil	14/8	33pm	9pm	‡Midland & Scottish Resources	33pm	+5
35	Nil	-	10pm	5pm	Pantida Grp. 25p	8pm	
35	Nil	-	8pm	5pm	Do. (Existing Offer) 25p	7pm	
220	Nil	7/8	20pm	7pm	Plaxton Group	7pm	
435	F.P.	4/8	509	484	RTZ 10p	492	

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. s Dividend and yield exclude special payment. ‡ Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. H Dividend and yield based on Prospectus or other offical estimates for 1989. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on Prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989/90. O Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ♥ Issued by tender. ‡ Offered to holders of ordinary shares as a "rights". I Introduction. § Placing price. †† Reintroduction. ‡ Issued in connection with reorganisation merger or takeover. ‖ Allotment price. ‡ Unlisted securities market. ‡ Official London listing. □ Including warrants entitlement. * Third Market.

TRADITIONAL OPTIONS

● First Dealings Jun 26
● Last Dealings Jul 7
● Last Declarations Sep 28
● For settlement Oct 9

For rate indications see end of London Share Service

Calls in De La Rue, London International, New England Prop, BAT Industries, Walker Greenbank, Norfolk Capital, Southend Property, Rockware, Body Shop and Clutt Oil. Puts in Body Shop, Charterhall and Eurotunnel warrants.

LONDON TRADED OPTIONS

RACAL ELECTRONICS claimed the lion's share of attention on the London Traded Options Market yesterday, as well as a substantial share of interest on the underlying market. Recent falls in the price of the underlying share – on the back of government proposals concerning the regulation of the cordless telephone market – were followed by a jump yesterday in the price of the stock by 20p to 434p. There were 81 bargains in the stock option, at an average size of 33.2 contracts, each worth 1,000 shares.

It was, in general, a quiet day on the options market, and if trading in Racal and the FT-SE 100 index were to be taken away, very little at all. The index business accounted for over one third of all options business, taking 10,546 contracts out of the total of 30,577. A market total of this size runs options business back to the dull days that came in the wake of the Great Crash on the stock market of October, 1,987.

The overall business was shared between 14,432 calls and 16,145 calls. The division of business between calls and puts in the index was yet more striking. It is unusual for overall market calls to fall below puts, less unusual for calls in the index to fall below puts, but yesterday there was a ratio not far short of one to four in favour of index trading in the puts, against calls. The 10,546 index total broke down into 2,292 calls and 8,254 puts.

The index itself fell 1.7 points on balance, dragged down to some extent by the continued running of the September contract in it on the London International Financial Futures Exchange at a discount to fair value (which takes in such things as estimates of dividend and interest rate prospects). The underlying market was no doubt helped somewhat by the firmish nature of the pound.

Racal apart, only three stocks attracted more than 1,000 contracts on the traded options market. BAT Industries found 1,851 contracts, 1,313 calls and 538 puts, on the back of a gain of 2p to 657p in the underlying share price. There were 1,840 contracts in British Petroleum, comprised of 214 calls and 1,626 puts, with 1,273 contracts handled in the October 280 puts alone. United Biscuits saw 1,353 contracts, consisting of 1,341 calls and 12 puts.

Option	Calls			Puts		
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FT-SE INDEX (*2163)

July 7 Total Contracts 30,577. Calls 14,432 Puts 16,145. FT-SE Index Calls 2292 Puts 8254. *Underlying security price. † Long dated expiry months.

صكرا من الاهل

UK COMPANY NEWS

Regional slams Monopolies report on the brewing industry

Fuller Smith up 10% to £7.4m

By Graham Deller

FULLER, SMITH & Turner, the West London-based brewer renowned among real ale aficionados for its ESB premium bitter, yesterday announced taxable profits some 10 per cent higher at £7.42m for the 12 months to end-March.

The outcome for the full year showed a modest improvement on the lacklustre first half when trade was hit by the compulsory purchase of pubs and last year's indifferent summer. Some improvement occurred during the second half reflecting benefits from newly acquired houses.

Referring to the Monopolies and Mergers Commission report on the brewing industry, Mr Ian Turner, director,

said: "The report itself is rubbish . . . we have great hopes that everything will come right in the wash."

Fuller's estate currently consists of some 150 houses. "We are always looking for new opportunities", said Mr Turner. He stressed, however, that the group had no immediate plans to expand from its present heartland. "It is easier to control a tight distribution area", he stated.

Fuller's, one of only two publicly-quoted independent brewers in London, declined to state the percentage of sales attributable to lager. "In hot weather, lager makes inroads into ale sales" he said.

Turnover rose to £52.94m (£49.05m). Earnings per £1 share expanded to 19.68p, up from 17.56p last time, and a proposed final dividend of 2.9p makes 4.45p (3.6p) for the year.

● Sir Derrick Holden-Brown, chairman of Allied-Lyons, yesterday said that his company had "considered all the possible scenarios" concerning the Monopolies report and it was confident that it could "deal effectively with whatever emerges."

Speaking to shareholders at the annual meeting, Sir Derrick said: "We shall resist very strongly any proposals which require us to sell off any part of our licensed estate."

Godfrey Davis adds to its uniform supply business

By Philip Coggan

GODFREY DAVIS Holdings, the car dealing and laundry group, has agreed to acquire the Practical Uniform Company for an initial £5.6m.

The agreement is conditional upon the reorganisation of the Practical Uniform company to eliminate certain minority shareholdings in subsidiaries.

Completion of the deal is not expected until October 31, by which time Practical Uniform is expected to report pre-tax profits of not less than £1.3m.

PUC designs, manufactures and distributes industrial clothing and work uniforms. Godfrey Davis already has a uniform supply business – First Impressions – which is strong in the food and leisure business while PUC is strong in the oil and retailing fields.

Consideration for PUC is £630,000 in cash and the balance in variable loan notes. Further deferred consideration is payable dependent on future profits.

Jack Israel hits £1.85m with 23% expansion

JACK L Israel Group reported taxable profits ahead 23 per cent from £1.5m to £1.85m in the year to end-March.

It also announced plans to change its name to JLI Group and consolidate its shares on the basis of five 4p shares into one 20p share.

The result came on turnover of £63.43m (£68.75m), the fall reflecting the change of emphasis into higher margin areas.

Directors said the name change reflected the company's change into a diversified food company with a growing emphasis on food processing.

In the year under review the contract food division management was strengthened and it saw a trend towards long-term supply contracts with most customers. The international merchanting division made a significant contribution, directors said, while food processing had a record year.

Earnings per share for this USM-quoted company rose 35 per cent from 1.17p to 1.58p and a final dividend of 0.465p is proposed for a total for the year of 0.7p (0.6p).

Since the year end Sundora Foods, a dried fruit processor, was purchased from Gill & Duffus for £1.5m.

DRG increases its US presence with £9.3m buy

By Philip Coggan

DRG, the stationery, packaging and engineering company, has acquired TK Gray, a US distribution group, for $15m (£9.3m) cash.

Gray, based in Minnesota, distributes and supplies equipment to the graphic arts and printed circuit board industries.

DRG would not reveal Gray's profits although it said the company was profitable, with turnover of $43m.

DRG recently purchased Lawrence Photographic, a Missouri-based print and graphics supplies business, and plans to build up a significant US distribution group.

Property sale boosts Daejan 48% to £32.5m

Daejan Holdings, the property investor and trader, continued its progress with a 48 per cent increase in pre-tax profits for the year to March 31.

From £21.97m last time, profits advanced to £32.52m. However, the company said that, as reported at the interim stage, the second half included a property sale that yielded taxable profits of £14.7m. This helped pull the 25 per cent fall in half-time profits round to the strong advance.

Tax took £11.89m (£7.59m), leaving earnings up at 126.52p (88.13p) per share. The directors have recommended the payment of a 14p final dividend for a total for the year of 22p (19p).

M&G backs Magnet offer

By Philip Coggan

THE CHANCES of a successful conclusion to the management buy-out of Magnet, the kitchen and DIY company, were boosted yesterday by the news that M&G, one of the long-term opponents of the deal, had decided to accept the offer.

M&G owns 0.5 per cent of the ordinary shares and 4.5 per cent of the convertibles. Together with other later accepters, including index funds which are obliged to accept the deal, the total level of ordinary acceptances is believed to be around 88 per cent.

That is still short of the 90 per cent needed to force compulsory purchase of the minority shares.

Yesterday, M&G said: "There is a time when the battle has run its course." Other opponents appear to be holding out, however, mainly on the principle that such deals involve conflicts of interest.

The offer has been declared unconditional, even though the 90 per cent level of acceptances had not been reached in either the ordinary or convertible class of share.

The company can be taken private, however, through a vote at an extraordinary general meeting. Such a vote would only require a 75 per cent majority.

Modest growth at Baker Harris

By Paul Cheeseright, Property Correspondent

BAKER HARRIS Saunders, which in late 1986 led the wave of chartered surveyors to market flotation, yesterday announced an 11 per cent increase to £3.8m in pre-tax profits for the year to April 30.

This was a lower rate of increase than has been seen from other chartered surveyors recently reporting, and reflected a sharp rise in costs. There has been staff expansion, a movement to new and more expensive premises, and the installation of office automation systems.

But Baker Harris has increased the amount of business it is handling in line with others in the sector. Turnover rose 45 per cent to £8.8m.

Earnings per share were 20.6p, little changed from the previous year's 20.3p. But, with the recommendation of a final dividend of 4p, total payment for the year is lifted to 7p (6.25p).

Although higher costs have reduced margins at Baker Harris, profits before tax were 43 per cent of turnover, a higher proportion than at Debenham Tewson & Chinnocks, Savills and Fletcher King, which have just reported figures.

Business in the City of London remains the staple of the Baker Harris business, but dependence has reduced from 73.4 per cent of turnover in 1987-88 to 52.4 per cent as revenue has come in from expansion to the West End, New York, property management and financial services.

There has been a slowdown in City activity and Baker Harris expects this to continue, but instructions on property sales and acquisitions have remained frequent. Yesterday, it announced that it had been commissioned by Manufacturers Hanover, the US bank, to sell its City headquarters close to the Bank of England.

Telfos joint venture

Telfos Holdings is selling a 50 per cent interest in its vacant property at Stirchley, Birmingham, to Ossory Estates for £2m. They will form a joint venture to develop the site.

Losses at Owners Abroad near £8m

By Ray Bashford

OWNERS ABROAD, the tour operator and airline seat broker, returned pre-tax losses of £7.83m, against £5.93m, during the six months to April 30. Turnover rose from £38.9m to £57m.

Because of the the seasonal nature of the business, the six months under review included only 22 per cent of the number of passengers that are expected to be carried during the year.

The results included Tjaereborg's entire loss, as it has become a wholly-owned subsidiary, whereas last year's figures included it as an associated company loss of £600,000.

Turnover in the seat wholesaling and tour operating division rose 53 per cent to £70.3m (£45.8m) while the operating loss fell to £2.8m (£3.1m), a 10 per cent decline.

Directors have declared an increased interim dividend of 0.7p (0.6p). The loss per share was 9.09p (8.68p).

The pre-tax figure was struck after an exceptional debit of £987,000 (£588,000) which is made up of the write-off of aircraft introductory costs.

Directors said that the wholesaling and tour operating operations continued to trade well despite an industry-wide downturn in booking levels.

"Whilst the performance so far is encouraging, it must be remembered that the full-year profits from tour operating are dependent upon the success of the high margin months of the summer season so at this stage it is still too early to predict the final outcome," they said.

Alex Russell slips

Alexander Russell, which has interests in quarrying, coal recovery and concrete products, saw profits slip from £2.87m to £2.75m in the year to March 31.

Turnover rose to £38.9m (£36.5m). Earnings per share dropped to 6.01p (6.61p) at the basic level, and to 6.05p (6.55p) fully diluted. The final dividend is a proposed 1.5p (1.4p) to make 2.04p (1.94p) for the year.

UK COMPANY NEWS

Distribution side helps Fitch Lovell to £32m

By Nikki Tait

FITCH LOVELL, the food manufacturer and distributor, yesterday unveiled pre-tax profits up from £27.8m to £32m in the year to April 29.

Turnover increased to £557m (£539m), although if disposed businesses are stripped out of the 1987-88 figure, the rise is about 20 per cent.

The profits advance comes after only a modest 7 per cent improvement at the interim stage, and the shares gained 3p to 277p yesterday. The 1988-89 figures relate to a 52-week period, compared with the previous 53 weeks.

However, after a 30.5 per cent (28.5 per cent) tax charge, earnings per share stood at 24.31p. This compares with 24.21p in 1987-88 if adjustment is made for the £44m rights issue last autumn. The final dividend is 8.25p, making a total of 12.25p for the year.

The sharpest trading improvement came on the distribution side, with Fitch now claiming to be the leading distributor to the catering market. Turnover on this front totalled £244.3m, compared with £190.5m in the previous year, and trading profit improved from £11.3m to £14.2m.

Fitch said yesterday that UYC, the distribution business which it bought from Guinness for about £22m in October, contributed for six months and added around £500,000.

It added that it is now integrating UYC as rapidly as possible, and has so far closed six of its 28 locations. A further eight closnres have been ennounced and will become effective over the coming months. The UYC head office is due to close in September.

On the specialist distribution side, the Blue Cap subsidiary improved on its previous depressed performance, but has now been relaunched as Fitch Distribution Services, absorbing the contract distribution activities of UYC.

On the manufacturing front, trading profits were £19.8m (£19m), with sales rising from £284.5m to £313.2m.

Fitch reported good performances at its bacon-processing and fish operations, but said the other meat businesses – Dixons, Ashmount, and Trent – showed a collective £3m reduction in profits on the previous year, although remaining in surplus overall.

Restructuring has since taken place.

Property profits, taken above the line, were £1.1m (£1.3m). Interest charges took £2.06m (£2.35m) and, with the rights issue benefits, year-end borrowings were £8.4m leaving gearing below 10 per cent.

Mr Geoffrey Hankins, currently executive chairman and chief executive, will become non-executive chairman after reaching retirement age in December. Mr Bill Brown, managing director, is becoming chief executive with immediate effect.

● COMMENT

Having disappointed the City at the interim stage, Fitch partially redeemed itself by coming in slightly ahead of forecasts – distribution services, in particular, outdoing expectations. That said, Fitch remains a conundrum. Few pundits hava any quarrel with tha fairly dramatic reshaping of the business which has gone on in past years – its move into fish, for example, and the position built up on the catering market distribution side. The question is when the industrial strategy will start to tell on the bottom-line. Fitch itself suggests that the benefits from an integrated UYC will not impact until 1990, and if forecasts of £37m-£38m pre-tax for the current year are correct, a further rise in the tax charge to 33 per cent and continuing impact of the rights issue may restrain earnings growth to little more than five per cent. The management succession failed to excite yesterday, and – unless the age-old bid speculation becomes reality – there seems little reason for the shares to depart from their 250p-290p trading range.

Carlton talks spark rise in Thames share price

By Raymond Snoddy

SHARES of Thames Television, the largest ITV company, rose 40p at one point yesterday, following news that the company had been having exploratory talks with Carlton Communications about the possibility of a friendly Carlton takeover.

By the close Thames shares were still up 29p on the day at 493p, and shares of several other large ITV companies moved up on the news. London Weekend Television rose 11½p to 194p and Central, the second largest ITV company, gained 11p to 788p.

The movements reflected the realisation that a number of strategic alliances are likely in the run-up to the future auctioning of ITV franchises. The Governmant's recent announcement that it intended to strengthen the "quality threshold" which all potential bidders must pass would also tend to increase the chances of survival for the existing ITV companies.

Some of those wanting to become broadcasters in 1893 may decide there is considerable advantage in getting their "feet under the table" at this stage.

Thames confirmed yesterday that it had been having informal talks with Carlton, which came close to taking over the television company in 1985 when the deal was blocked by the IBA.

It added, however, that yesterday's report in the Financial Times on exploratory talks about a possible takeover was "too prominent, too premature and too speculative". It should not be conclnded that the talks would lead to a takeover, Thames said.

Both Thames and Carlton emphasised that they were also having talks with other companies.

Thames said it was well known that Thorn EMI and BET, its two major shareholders, "would not be unwilling tn part with thair holdings".

Thames added: "With that and the state of the industry in mind, we have been having informal talks. It is likely that these will continne with a number of people."

Mr Leslie Hill, managing director of Central, said yesterday he wanted to see the final shape of Government broadcasting legislation before taking decisions on the company's future.

Ms Bronwen Maddox, broadcasting analyst at stockbroker Kleinwort Benson, said the story of the talks and the share price rises were correct in identifying the value in the bigger ITV companies. The valna of companies like Thames and LWT lay not just in their programme libraries bnt in their control over a large chunk of the ITV network schedule.

"That is of enormous value to anyone starting up a franchise," Ms Maddox said.

£25m US expansion for Dobson Park

By Clare Pearson

DOBSON PARK Industries is expanding its industrial electronics division with the $40m (£24.7m) purchase of Elgar Electronics Corporation, e Californian power supplies manufacturer.

Alan Kaye – looking to branch out into new areas.

Yesterday Mr Alan Kaye, chief executive of Dobson, which also has interests in mining equipment and engineering, said that, on completion of the deal, industrial electronics would account for about 40 per cent of group profits and mining equipment about 30 per cent, reversing the current position.

Dobson has been keenly buying industrial electronics companies over the past three years to usurp mining equipment, hit by dwindling demand from British Coal, as the dominant activity.

The Elgar acquisition is being financed by a vendor placing of 16.7m shares at 96p each, with clawback for existing shareholders on a four-for-25 basis, and the balance – $15m – in cash.

Dobson said it remained confident about trading and expected to pay a final dividend of 3.85p to make 5.75p (5.5p) for the year.

Within the predominantly US industrial electronics division Elgar will add a third product area, power supplies, to the sensore business of Transdncers, ecqnired in December, and Revere, bought two years ago, and to the vibration monitoring activity of IRD, bought in February 1987.

Mr Kaye said Dobson would not now be looking to branch out into any new areas although the aim of reducing mining equipment to about 25 per cent of the total portfolio might necessitate some add-on purchases.

Elgar made pre-tax profits of $4.13m on sales of $25.25m in the eight months to end-May, up from profits of $2.35m on turnover of $26.47m in the year to end-September. It emerged as e management buy-out in 1986 and has since been extensively restructured.

Cash bid values Alva at £5.5m

By Nikki Tait

ERf, a newly-formed investment company owned jointly by Ensign Trust and La Compagnie Financiere Edmond de Rothschild Banque, last night announced a cash bid for Alva Investment Trust, a small trust specialising in unqooted companies and part of the Throgmorton/Framlington stable.

The bid of 314p per share values the trust at £5.49m.

It has been triggered by the purchase by ERI of e further 22.5 per cent stake in Alva from Temple Bar Investment Trust. Since ERI had already picked up a 27 per cent holding in Alva, the latest purchase – also at 314p per share – takes it through the 30 per cent level, and obliges it to make an offer to all shareholders.

Last night, ERI's advisers said that the intention was to obtain a majority position in the trust, but that the quotation was likely to be kept.

Assuming ERI gains control, it is likely that the management contract would be switched away from Throgmorton/Framlington.

ERI, which was incorporated in April this year, describes its main investment nbjective as "developing long-term capital growth vehicles which will invest in luxury and design-related businesses in Europe."

It says that some of the companies in Alva's portfolio meet these requirements. However, its advisers concede that there are significant parts of the portfolio which would not fit, and various changes would be made.

Last night, Alva's managers said that they would await the formal offer from ERI and advise shareholders then. However, given the recent build-up of tha ERI position, the bid did not come as mnch surprise.

Last Fabruary, Alva's net asset value stood at 260.4p per share. However, the trust said last night that an end-May valuation suggested 314.3p per share, whila Datastream was yesterday calculating the current position to be 317p per share.

Finance director quits as FKB advances to £8.8m

By Edward Sussman

MR NEIL McClure, finance director at FKB Group, who has spearheaded the sales promotion and marketing company's aggressive US acquisition strategy, is to resign at the end of August.

The announcement of his imminent departure came as FKB reported more than doubled pre-tax profits in the year to March 31 on the strength of first-time contribotions from six purchases in the US.

Pre-tax profits moved ahead from £3.74m to £8.77m on turnover of £65.22m (£29.47m). Earnings per share rose 41 per cent to 25p (17.72p). The shares fell 6p to 324p.

Mr McClure, who came from Saatchi & Saatchi in 1986, is believed to be leaving because FKB, which last made major pnrchases in Septembar, intends to slow the pace of acquisitions.

Nevertheless, FKB said it was exploring further US sales promotion and marketing acquisitions and planned to expand its direct marketing operations in the US and UK.

FKB said it planned to replace Mr McClure internally and that a strong finance team was already in place.

US operations accounted for abont 40 per cent of gross profit in 1988-89, from nil a year earlier. This is expected to rise to 60 per cent in the current year.

All US operations showed gains except Focus, a Connecticut-based market services company, which eccounted for about 2 per cent of group turnover.

A recommended final dividend of 5p makes 7p (5p) for tha year.

● COMMENT

After making a series of fairly large sized acquisitions, FKB shows signs of wanting to slow down a bit and focus on basics. While analysts believe smaller companies (especially e San Francisco base) are still targets, without Mr McClure FKB is unlikely to keep op the unusually active pattern of the past year. Still, significant US profit centres are already in place, operating well and benefiting from currency exchange rates. Organic profit growth of 25 per cent seems likely. While the cost of renting an expensive new headquarters and an interest charge arising from the kick-in of earn-out clauses should trim income, prospective pre-tax profits of £13.75m would put the group on a prospective multiple of 10, against the historic p/e of 13, which makes FKB attractive.

Really Useful stake for sale

By Andrew Hill

MR BRIAN BROLLY, the former managing director of Really Useful Group, is planning to sell his 14.45 per cent stake in the leisure company, which he helped bring to the market in 1986, for more than £10m.

He has asked Swiss Bank Corporation to sell his 1.6m shares "at e premium to the current middle market price of 633p per share." Offers should be submitted by July 26.

Yesterday, Really Useful shares jumped 25p to 660p. Mr Brolly agreed when he resigned last October not to sell his shares until April and received several inquirias about the stake before then.

Mr Brolly and Mr Andrew Lloyd Webber were the original owners of the group, holding 30 per cent and 70 per cent of the company respectively. They each sold roughly half their stakes at flotation in 1986.

Mr Brolly is still involved in prodncing mnsicals, has started a theatre production company, ROSC Holdings, and is bidding for the licence to operate e new London radio station, Classic FM.

Mr John Whitney, Really Useful's managing director, hoped the sale would lead to wider ownership of the shares.

Dominion out of film insurance and into mortgages

By Clare Pearson

Dominion International yesterday announced the latest twist in its labyrinthine history with plans to sell FFL Holdings, the film insurance company, barely a year after it was bought, and replace it with York Associates, a New York mortgage company.

Dominion, a financial services, property and natural resources company announced the moves yesterday as it unveiled pre-tax profits of £5.44m in the year to end-March. The previous year's profits, originally announced at £6.6m, were restated at £4.87m. This was ascribed to the adoption of more conservative accounting policies at the motor leasing business.

Dominion said negotiations were at an advanced stage to sell 80 per cent of FFL to its managemeot for £25m, £2m more than it paid for all the shares last year.

The initial consideration for York is £29m, to be satisfied by the issue to the vendors of £6.5m worth of Dominion shares and the balance in cash over two years. There is a further performance-related payment to a maximum of £12.9m.

The results were worse than expected in the City but the shares, apparently helped by a maintained dividend, fell just 5p to 75p. Turnover fell to £36.4m (£40m), and earnings per share, helped by a lower tax charge, worked through at 6.42p (5.61p). Tha final dividend is maintained at 3p, making 5.6p (5.5p) for the year.

York'a principal source of income is fees from originating and servicing mortgages. Specialising in originating and servicing mortgages for blocks of flats, it made $8m in the last financial year.

Last month Dominion announced it was selling Guardian, its Hong Kong-based property management snbsidiary, to Southwest Resources, its associate with interests in oil and gas. The sale gave rise to a profit of £3m.

However, as a result of low take-up of a rights issue made at the same time by Southwest, and underwritten by Dominion which was earlier reducing its stake in the company, has left Dominion with a 45 per cent stake, more than double its previous holding.

A write-down of the holding was the main portion of a £2.5m extraordinary charge in yesterday's figures.

Dominion's property development operation in Spain was hit by a sharp drop in sales during tbe year.

GrandMet to purchase US optical superstore chain

By Nikki Tait

GRAND METROPOLITAN, the UK food and drinks group, is ecquiring Eyelab, an optical superstore chain in the US. No price has been disclosed, but it is thought to be about £90m-£100m.

Pearle, the GrandMet subsidiary which represents the UK group's interests in the retail optical market, may also sell Texas State Optical.

It is starting discussions with various interested parties, including the company's management and members of its franchise community. TSO has more than 300 conventional eyecare stores – in general, smaller units – and might raise about £48m.

GrandMet said the two transactions were part of a strategy to upgrade US operations. Eyelah, which is being bought from CNC Holding Corporation, has 72 superstores, in 12 major US cities. It has annoal sales of about $100m (£61.84m).

By contrast, system sales at TSO, which has GrandMet's share plus those of franchisees, are about $75m.

Once the Eyelah acquisition is completed and assuming the sale of TSO goes through, Pearle, with total sales of $650m a year, will comprise some 200 superstores and over 900 conventional stores.

DIVIDENDS ANNOUNCED

Baker Harris	fin	4†	Oct 2	4	7	6.25
Daejan Holdings	fin	14	Sept 7	11	22	19
Dominion Intl	fin	3†	Aug 25	3	5.6†	5.5
Fitch Lovell	fin	8.25†	Oct 2	8	12.25	12
FKB	fin	5†	Oct 3	5	7	5
Fleming American	int	0.5	-	0.33	-	1.2
Fuller Smith	fin	2.9	Aug 22	2.28*	4.45	3.6*
Israel (Jack L)§	fin	0.465	Sept 5	0.6	0.7	0.6
Owners Abroad	int	0.7	Oct 3	0.6	-	2.35
Peel Holdings	fin	7†	-	3.5	10	5.25
Russell (Alex)	fin	1.5	-	1.4	2.04	1.94
Security Arch §	fin	3	-	2.4	5	2.4

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ¶Third market.

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UK COMPANY NEWS

Abbey National releases details of PEP scheme

By Clare Pearson

ABBEY NATIONAL yesterday announced details of a Personal Equity Plan it is setting up for members receiving shares in next Wednesday's £1.7bn flotation.

The scheme has been hastily put together following a Government amendment to PEP rules on June 8, allowing them to include shares issued in in building society flotations.

No shares apart from Abbey's may be transferred to the PEP, which will be administered by NM Financial Management, and it will only be available until August 2.

A minimum of 600 shares must be transferred. The set-up charge is £19.50, which includes stamp duty, VAT, and management charges for the first year.

Thereafter an annual charge of 1.25 per cent of the fund value, plus VAT, will be made. A £20 administration charge will be made if the plan is closed in the first two months.

The scheme appears to be of interest only to high-rate tax payers and to those liable to capital gains tax, who are not likely to constitute a large proportion of the 5.6m Abbey savers and borrowers eligible for free shares.

Various stockbrokers with choose-your-own shares PEP schemes are also offering special deals.

Earlier this week Abbey announced its £975m offer of extra shares to members had been 2.7 times subscribed. All applications for up to 600 shares are being met in full, but those who applied for 800 shares or more will all get a flat 775. Those applying as both savers and borrowers will be entitled to up to 1,550 shares.

● Abbey National is to join the FT-Actuaries Index with effect from next Thursday. It will be joining at the closing price the previous day, the first day of dealings. It is not joining at the 130p issue price for the extra shares because, unlike in a general offer for sale, Abbey's flotation has not involved the sale of shares other than to its savers and borrowers.

Peel continues to absorb Ldn Shop as profits double

By Paul Cheeseright, Property Correspondent

PEEL HOLDINGS, the property group controlled by Mr John Whittaker, nearly doubled pre-tax profits and lifted its net asset value per share by 17 per cent in 1988-89.

The group, which is still absorbing its £304m acquisition of London Shop, saw its shares rise 2p to 281p in response to the announcement yesterday.

Net asset value, reflecting the purchase of London Shop, a £121m rights issue and the general firmness of the property market, rose from 339p to 395p per share in March 1988.

Pre-tax profits for the year to March 31 were £20.16m compared with £10.27m previously. Fully diluted earnings per share rose from 17.64p to 23.7p.

The final dividend for the year is 7p, bringing the total to 10p, against 5.26p for 1987-88.

Peel now has gross property assets of £766m. The acquisition of London Shop broadened its portfolio both geographically and in terms of property type. Retail parks account for 23 per cent of the capital value, town centre retail 14 per cent and mixed property 13 per cent.

London Shop contributed £3m to pre-tax profits, but rental income accounted for two thirds of earnings. Like other property companies Peel has been able to benefit from higher rents coming through at review. But the sharp increase in profits is also partly attributable to an increase in property trading. Investment properties with a total value of £44m were sold.

Mr Whittaker noted that the the last three years had been exceptional for the property market and warned that "the present unsettled economic times mean that the immediate future is unlikely to be quite as buoyant."

● COMMENT

Like its peers, Peel has had a decent year but it is finding London Shop with its scattered portfolio a tough morsel to swallow. There will be nothing flashy about the current year. The group is heavily exposed in the temporarily unfashionable retail sector, which will not do much for its share price. It is consolidating, with the main object of getting gearing back from 105 to around 90 per cent and cleaning up its portfolio. There is nothing in this to suggest it will be a sector high flyer this year, but its net asset value should climb to around 455p per share, which puts the current market price at a discount of 38 per cent.

Kwik-Fit expands Dutch side

By Clay Harris

KWIK-FIT Holdings, the Edinburgh-based car parts specialist, is nearly doubling the size of its Dutch retail network with the purchase of Jan Van den Broek, an operator of 47 tyre and exhaust fitting centres, for FL 44m (£12.75m).

Kwik-Fit already has the largest such retail network in the Netherlands, with 55 outlets, and Van den Broek is its nearest competitor. Nevertheless, Mr Tom Farmer, chairman, said he did not expect any regulatory difficulties.

In 1988, Van den Broek made pre-tax profits of Fl 532,000 on turnover of FL 44m. Both figures represented declines from the 1987 results, reflecting a change in management after the retirement of the company's founder 18 months ago.

Kwik-Fit plans to merge the companies' administration and take advantage of increased purchasing power, but the chains will continue to operate under separate names for the immediate future, Mr Farmer said.

Orbital fully subscribed but cancels market plan

By Vanessa Houlder

ORBITAL Communications, a cellular telephone rental company, has cancelled its plans to join the Third Market, as a result of "market conditions and adverse press comment".

The decision was made despite the £3m placing being fully subscribed and permission being obtained from the Stock Exchange to start dealings on July 5. Orbital now intends to raise £3m through a private placing and it may seek a Third Market flotation in a few months time.

Its sponsor, Baynard Securities, said that the withdrawal followed some critical comments in the Investors Chronicle and the Daily Mail, which highlighted the previous career of Mr Stephen Morris (the company's founder) as a salesman at the controversial futures brokers LHW and Empire Futures. This publicity was likely to affect the shares once they started trading, it said.

"The underwriters started to get cold feet and some of the market makers were reluctant," said Mr Lucien Miers of Baynard Securities. However, most of the underwriters had expressed support for the private placing, he added.

See Observer

Suter makes butterfly valve acquisition

By Richard Tomkins, Midlands Correspondent

Suter, the industrial and distribution group, has bought the Birmingham-based Charles Winn (Valves), a leading manufacturer of butterfly valves, from the Delta industrial group for an undisclosed sum. Net assets are put at £3.5m.

Suter said the acquisition would complement Suter's existing valve businesses at Hindle Cockburns in Leeds and Hindle Hamer in Houston, Texas.

In a separate move, Suter has bought Janet Poynton Salon Supplies, a hairdressing supplies wholesaler with three cash-and-carry stores in Lincolnshire. Net asset value of the business is put at £250,000. Suter now has 19 such stores in its Embassy Cash & Carry subsidiary.

Buy-out at Jarvis Porter division

Jarvis Porter, the printer and label and packaging maker, is selling the business and certain assets of its flexible packaging division to Parkside Flexible Packaging, a newly-formed company in which Mr MG Stewart, managing director of Jarvis' flexible packaging division, has a shareholding.

Total consideration is about £3.26m, subject to a valuation of stock and work-in-progress. Some £2m will be in cash on completion and about £419,000 in cash following the valuation. A further £500,000 will be paid six months after completion.

Mr Stewart and two other members of the management buy-out team, Mr D Stones and Mr B Parkin, are directors of a Jarvis subsidiary, and together hold 33 per cent of the issued share capital of Parkside.

Security Archives at £0.92m

On the back of a 31 per cent improvement in turnover to £3.65m, Security Archives (Holdings), a USM-quoted provider of secure storage and property investment, achieved a profit increase of £217,000 to £923,000 pre-tax for the year to March 31 1989.

The directors said the profits rise reflected the improvement in turnover and a continuing strong market for the company's services.

Earnings edged ahead by 0.8p to 11p and the dividend for the year is being stepped up from 2.4p to 5p via a final of 3p.

Aberfoyle raises profits 56% and calls for £1.1m

ABERFOYLE HOLDINGS, the Zimbabwean farmer, garment maker and property investor, reported a 66 per cent increase in pre-tax profits from £1.57m to £2.92m for 1988.

The company also announced a rights issue of one-for-11 shares or warrants of 4.07m new ordinary shares at 30p per share to raise £1.07m net of expenses.

Crescent Africa, with a 27 per cent holding in Aberfoyle, expressed its concern over the delayed results and Mr Kojo Nyantakyi, founder and chief executive of Crescent, said that shareholders had been given no indication of how the results had been calculated. In the past, he said, the figures had been lifted both by non-distributable profits from the disposal of investments in Zimbabwe and by the capitalisation of interest. The rights issue did not begin to address Aberfoyle's fundamental problems, he added, and pointed out that the company had not paid a dividend since it was reconstructed in 1986.

Turnover was £7.66m (£7.09m) and after tax of £645,000 (£278,000) and minorities of £854,000 (£808,000), earnings per share advanced to 3.18p (2.33p).

Aberfoyle said the rights issue would reduce short-term pressure created by fluctuations in timing of remittances from Zimbabwe and the uncertainty over the timing and nature of the participation of the Zimbabwe Government in the Mwenezi Oil Palm Project.

Mr Brian Igoe, also on the board of Crescent, has resigned as a non-executive director. Aberfoyle takes the view that proposals put forward by Crescent are an attempt to gain management control without a full offer being made.

Hawthorn dials up deal

By Vanessa Houlder

HAWTHORN LESLIE Group, the USM-quoted industrial holding concern, has agreed to buy Reverbel, a French retailer of mobile telephones and car accessories, for FFr 12.7m (£1.23m).

Reverbel is based in Marseilles and operates through 12 outlets in the south of France. It is now in the course of buying new outlets in Paris and other major cities in France. In 1988 it made a pre-tax profit of FFr 603,000 (£58,000) and it has net assets of FFr 4.9m (£473,000).

Hawthorn Leslie has interests in electrical distribution, packaging, telecommunications and consumer electronics. Following its purchase of ECT Cellular and London Car Telephones last June it claims a subscriber base of 44,000. In March this year it bought Pinnacle Cellular, a Scottish Vodafone service supplier.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Finals- Atlantic Securities, Burtonwood Brewery, Real Time Control, Southwest Resources, Tops Estates, Turnbull Scott, Whitney Mackay-Lewis.

FUTURE DATES

Interims-	
Acela	July 14
Barr (AG)	July 18
Central Motor Auctions	July 12
Greggs	July 28
Hepworth	July 28
Securiguard	July 13
TI Group	Aug. 3
Wolsey	Aug. 2
Finals-	
Allied Home International	July 10
Fleming Overseas	July 11
Flextech	July 11
Jacques Vert	July 11
Ransom (William)	July 12
Symonds Engineering	July 11
Tiphook	July 11
Turnbull Scott	July 7

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FINANCIAL TIMES SURVEY

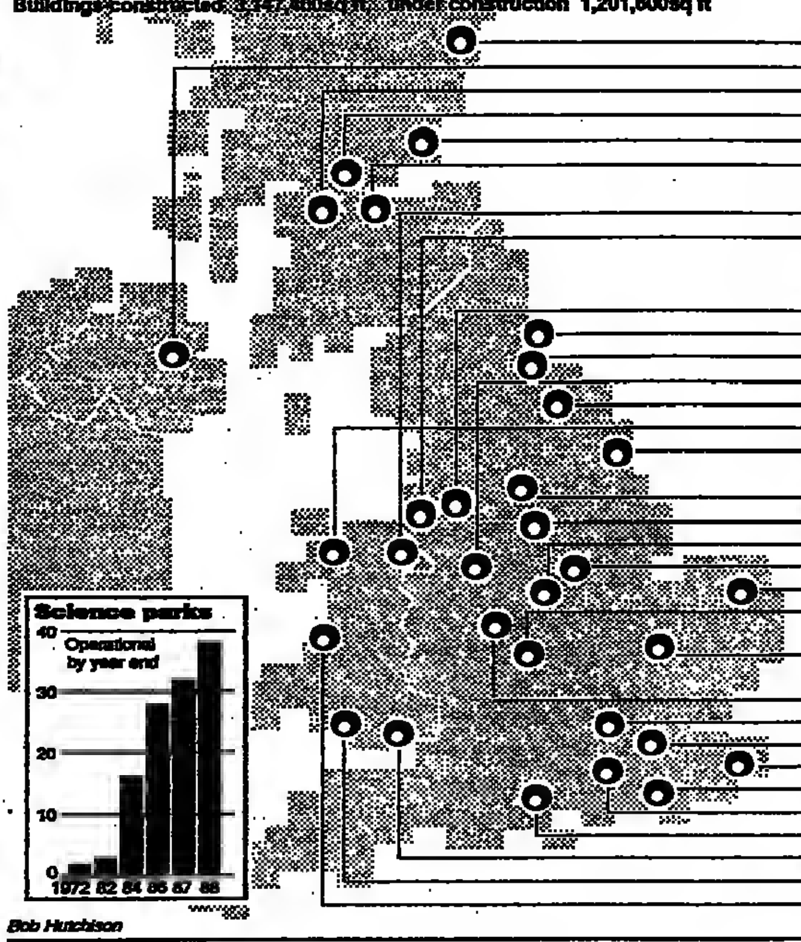
On average one new science park opens every week around the world. As a base for high-tech R & D, they have proved a big success. Even the current property downturn is unlikely to deter further growth in this specialised sector, reports **Clive Cookson**, Technology Editor

An all-round success story

Science and Business Parks

Operational science parks in the UK

Parks 38 Acreage 720 Tenants 807
Buildings constructed 3,147,600sq ft; under construction 1,201,600sq ft



Bob Hutchison

	Total area (acres)	Buildings (sq ft) Complete	Buildings (sq ft) Under construction	Number of tenants
Aberdeen Science & Technology Park	60	13,000	21,500	6
Antrim Technology Park	74	58,100	43,600	e
West of Scotland Science Park, Glasgow	61.5	77,500	-	21
Stirling University Innovation Park	14	25,800	-	17
St Andrews Technology Centre	0.8	18,000	-	4
Heriot-Watt University Research Park, Edinburgh	56	390,000	155,000	32
Newtech Science Park, Deeside	5	52,000	37,700	20
Wrexham Technology Park	-	109,000	2,700	5
Merseyside Innovation Centre, Liverpool	2	14,000	-	15
Bolton Technology Exchange	2.5	25,000	30,000	16
Manchester Science Park	15.5	25,000	32,000	17
Salford University Business Park	5	44,000	-	18
Sunderland Technology Park	-	19,400	-	9
Durham Mountjoy Research Centre	2.7	33,700	-	25
Keele University Science Park	15	23,200	-	10
Belasis Hall Technology Park, Billingham	-	55,000	55,000	30
Menai Technology Enterprise Centre, Bangor	2	3,500	10,800	5
Newlands Centre, Hull University	3	74,000	-	14
Listerhills Science Park, Bradford University	11.8	107,800	23,100	33
Springfield House, Leeds University	2	31,900	-	6
Sheffield Science Park	5	17,000	35,000	32
Loughborough Technology Centre	3	20,800	-	16
Highfields Science Park, Nottingham University	1e	59,200	12,000	22
Univ. of East Anglia Science Park, Norwich	12	2,800	-	1
University of Warwick Science Park, Coventry	42	227,000	30,000	47
Cambridge Science Park	130	690,000	339,000	69
St John's Innovation Centre, Cambridge	19	24,100	65,000	31
Aston Science Park	22	158,400	50,000	60
Univ. of Birmingham Research Park, Edgbaston	6	36,000	2,200	15
Brunel Univ. Science Park, Uxbridge	6.4	84,000	12,500	25
South Bank Technopark, London	1.7	72,400	-	50
Kent R & D Centre, Univ. of Kent, Canterbury	10	14,500	-	5
Sussex University Technology Park	3.5	101,300	11,000	14
The Surrey Research Park, Univ. of Surrey, Guildford	70	310,000	e1,000	43
Chilworth Research Centre, Southampton	26	61,000	150,000	21
Cardiff Business Technology Centre	1.5	17,200	-	16
Swansea Innovation Centre, Univ. College	3.4	26,000	15,000	20
Aberystwyth Science Park	e	26,000	-	10

Source: United Kingdom Science Park Association

FROM the viewpoint of higher education, technology policy or property development, science parks have been one of the great success stories of the 1980s.

At the end of the 1970s the world had only a couple of dozen science and technology parks. About half were in the US, following the lead of California's pioneering Stanford Research Park (the heart of Silicon Valley), Research Triangle in North Carolina and Route 128 in Massachusetts. France and Belgium had seven "technopoles" between them. And in the UK Cambridge Science Park and Heriot-Watt University Research Park (Edinburgh) were still struggling to get established.

Now there are several hundred science and technology parks worldwide, and an average week sees the opening of at least one new park somewhere in the world. As this survey will show, their character varies greatly from place to place.

Estimating the number of parks depends very much on what you count as a science park. Since the science park movement has been bedevilled by contradictory definitions, it is probably just as well to get these out of the way here.

A good expression of the traditional Anglo-American view comes from Trinity College, the founder of Cambridge Science Park: "A science park is a collection of high-technology industrial companies or research institutes in attractive, well landscaped surroundings, developed to a very low density, situated near a major university – and enjoying significant opportunities of interchange with that university. It is a means of bringing suitable industry and applied research close to the sources of scientific progress."

By this standard, there are still well under 100 science parks worldwide. In the UK, the University of Warwick Science Park and Surrey Research Park have emerged during the 1980s as successful examples of this type of landscaped university park.

But many other successful UK science parks would not pass the Cambridge test, because they are inner city developments and do not have space for "well landscaped surroundings developed to a very low density." South Bank Technopark, which packs 33 companies into a 1.7 acre site near the Elephant & Castle in London, is a good example.

The UK Science Park Association (UKSPA) has a definition that fits 38 British parks. It says that a science park "is a property-based initiative which:

■ has formal and operational links with a university or other higher educational institution or major centre of research;

■ is designed to encourage the formation and growth of knowledge based businesses and other organisations normally resident on site;

■ a management function which is actively engaged in the transfer of technology and business skills to the organisations on site."

By ignoring the physical appearance of the development, the UKSPA definition certainly allows the most unparklike urban "parks" to qualify. But it would not be appropriate in many countries outside the Anglo-Saxon world, such as southern Europe where the French technopole or technopolis is the favourite model.

The typical technopolis is on a larger scale than a UK science park. Its emphasis is very much on stimulating regional economic development by attracting the research and development activities of large established companies. Until recently there has been little or no emphasis on generating new companies, encouraging technology transfer or developing links with the local university or research institute.

Mr Dick Porter, the science park specialist at management consultants KPMG Peat Marwick McLintock, has a set of brief definitions which apply more generally outside the UK. He distinguishes between:

■ "innovation centres, which are small developments with limited space geared to start-ups;

■ science parks, on landscaped sites adjacent to a higher education institution, suitable for both new and established knowledge based enterprises;

■ research parks, which are often similar to science parks but may have a greater range of manufacturing activities with less obvious connection to educational establishments;

■ technology parks (or technopoles) which are large areas where knowledge-based activities are concentrated and where technology transfer links with higher education institutions are often tenuous."

In practice, of course, the barriers between Mr Porter's four categories are fuzzy, and many parks pick the "wrong" label for their name.

Whatever working definition is chosen, there will always be business parks outside it, calling themselves science or research or technology parks in an effort to take advantage of the successful and progressive image that these words create. In fact these are often just upmarket commercial property developments. They may indeed be better landscaped than many true science parks but they have no formal links with a research centre or educational institution and do not attempt to promote technology transfer or innovation.

In parts of the world where science parks are flourishing, there has been a parallel boom in business parks during the past five years. But most true science park operators believe that their developments are more likely to succeed commercially in the long run, if they make sure that all tenants are involved or associated in some way with research and development.

As Dr Tom Broadhurst, chief executive of Manchester Science Park, told a recent UKSPA conference, it appears from the US experience that the commercial failure rate is much higher among business parks "which have tried and failed to latch on to the science park image" than among real science parks.

During the science park boom of the past six years universities in the UK have generally been in a strong enough position to keep their parks pure. But as Mr Harry Nicholls, managing director of Aston Science Park, recalls, it was not easy during the first two years before his park in the middle of Birmingham became established as a desirable location for science-based companies.

"It's very difficult to have the courage to say No to people if you have a lot of empty space. There's a lot of pressure to take anyone who can remotely be justified as high technology," he says. "But the key to success in a genuine science park is not to compromise on your high technology criteria."

In both the US and UK the mid-1980s were the great period for opening new science parks. Britain had three operational science parks at the end of 1982 and 28 at the end of 1986. Since then the pace of opening new parks has slowed down.

According to UKSPA, there are now 38 parks in operation and one under construction. Even during the current lull in openings, many existing parks are expanding rapidly to meet the growing demand for space. Mr Arthur Rimmer, UKSPA chairman, says that a recent survey showed "most parks substantially full, most planning extensions with a large proportion of pre-lettings, and most taking in new tenants."

During the three years to the end of 1988, both the total amount of space let to UK science park tenants and the amount under construction doubled – from 1.5m sq ft to 3m sq ft and 600,000 sq ft to 1.2m sq ft respectively. At the same time there was a dramatic fall in the area built but not occupied, from 390,000 sq ft to 140,000 sq ft.

Looking to the future, UKSPA knows of a further 18 science parks at various stages of the planning process – which could presage a further wave of new openings in the early 1990s. Among the proposed developments are several plans to give Oxford its first science park.

The most ambitious proposal is Emersons Green, a joint project by Bristol and Bath universities in association with Bristol Polytechnic and various property and finance companies, to build a US-style science park on 500 acres just off the M4 motorway, designed to attract the research and development centres of major companies. The $500m project would comprise 3.25m sq ft of office and laboratory space as well as associated shopping and leisure facilities, 300 houses and flats and a hotel.

The consensus view in the science park movement seems to be that the UK could comfortably take a total of 50 to 60 parks. That would allow most universities to have a park – and leave a few over for polytechnics, government research establishments and perhaps one or two major companies (following the lead of ICI which has set up Belasis Hall, a successful technology park alongside its huge petrochemicals complex on Teesside).

Science park operators are confident that they are well placed even to withstand bad times ahead: "With the downturn in the property market which I think everyone can see coming, science parks will have some protection through their special characteristics," says Dr Tom Broadhurst of Manchester Science Park.

CONTENTS

Fashion labels every development as a business park, reports **David Lawson**

'Let there be parks' said the planners

IN THE beginning wara science parks. And these begat technology parks; which begat research parks of all and varied kinds; which begat office parks that called themselves campuses. And the face of the land was thick with parks, and the developers saw this was good.

When bnsiness parks emerged from all this begatting is a moot point. Science parks and their ilk had been a bit of a problem. They tended to be for small, start-up businesses where academics could work up their ideas in a semi-commercial climate. These technicians wanted smallish premises on short leases which could mix-and-match uses like offices, laboratories and storage – with perhaps a littla light manufacturing.

That is not what property investors wanted. They hungered for familiar buildings let on 25-year leases to companies with a few years' profit figures to prove they can provide a safe stream of rents in future. Mixing all those activities was impossible anyway under the noses of planners suspicious of losing indnstrial space to offices.

The label was the one thing they coveted. "Science park" sounded new, vibrant and modern; a marvellous sales gimmick. So a plethora of these labela were slapped across every echeme which conld boast a high-tecb connection. In some, that connection was so tenuons that it merely related to the high-tech look of brightly painted buildings.

But tenants were being attracted by the cartload. Driven out of town centres by congestion, staff shortages and high rents, the most unscientific companies were drifting to parks set in greener pastures. These cocked a snook at planners, aping the science-based companies by switching and changing the way they used buildings for offices and manufacturing. Some became almost pure offices.

This was a mutation among all the begatting, and led to developers dropping the science label in favour of a more honest description. They called it bnsiness epace. The dam finally burst when the Government revolutionised planning controls a couple of years ago and swept away the barriers between office, research and industrial uses. Sites of old factories could now be transformed to rapidly expanding service industries.

It is fashionable to label every development as a business park, although this can be as economical with the truth as the bad old days of pseudo-science parks. The problem is that there is no-one to set a definition in the way the UK Science Parks Association has name-taped its children.

Science park sounds new and modern; a fine sales gimmick

Almost every pocket of modern development outside a town centre claims the pedigree. But developers are also thinking big: more than 50 parks of 1m sq ft and above are planned, according to Mr Andy King, who has made a special study for research group APR. This has helped rack up the astonishing UK total of more than 190m sq ft of space being promoted as business parks – more than tha total existing office space in central London.

Comparison witb officee rather than the industrial space that business parks were first designed for is quite apt. The most modern schemes directly compete with town centres, and sometimes boast the same rent levels.

A state-of-the-art development such as Thames Valley Park ontsida Reading will boast of Digital's plans for a 500,000 sq ft headquarters, while Stockley Park near Heathrow, the acclaimed market leader, has pulled in Control Data and Toshiba. Bnt these are not all research laboratories and manufacturing buildings. Sections are certainly devoted to servicing, distribution and research, but they are predominantly highly sophisticated administrative centres.

Pure office companies are increasingly attracted to these centres because they can live comfortably next to such manufacturing that still takes place. Producing a computer is hardly more disturbing to neighbours than operating one. The attraction is mainly to "back-office" operations.

These can be easily shuffled off by large groups which keep a head office in town. Rents are lower but the buildings can take all the new technology required. And most important, staff are easier to attract because of the parking and proximity to home of an edge-of-town park.

This attraction is beginning to work up the seniority ladder, however, and it may not be long before regional and head office operations more nsed to the high street are spinning off to business parks as managers become harder to attract into city centres.

A year ago surveyors Healey & Baker found that up to 35 per cent of the UK's business space was being takan by accountants, insurance and financial companies and professionals. Since then the moves have accelerated. Pioneers in this diaspora, according to APR, include Barclays Bank to Westwood Park, Coventry, and the Pearl and Royal Heritage Assurance companies to Peterborongh Bnsiness Park. But they are doing no more than emulate giants such as IBM, which created their own "parks" with massive headquarters on greenfield sites.

The rest of Europe is set to follow this pattern but is currently repeating the confusion which dogged the UK. Amsterdam and Paris have their off-centre office campnses, southern France its technopoles and Spain its technology parks; but nowhere is there a "real" business park fitting the definition offered by agents such as Mr Andrew Burt at Jones Lang Wootton.

He sets an ideal derived from patterns imported from the US to match changing business patterns and implemented by UK schemes like Stockley and Thames Valley parks. The "real" business park is on a greenfield site of more than 25 acres (10 hectares), close to main national roads and airports, with high-class multi-storey buildings in landscaped surroundings and generous car-parking.

This may seem over-enthusiastic for an ideal, particularly on some successful UK office campuses which fail to qualify because they do not have a wide spread of uses nor a variety of ancillary services such as leisure and shopping to attract staff. Others are disqualified for being too small to create tha momentum for self-sustaining growth – bnt they are still growing.

And as long as the tenants like what they are getting, why should it matter whether an ideal is met?

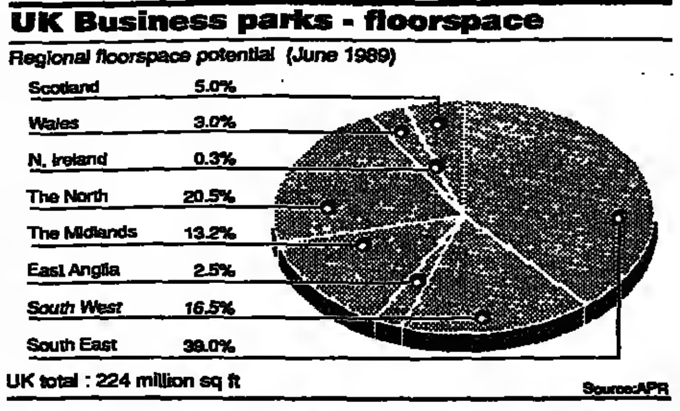
There is the rub, because with an average of four developments emerging each week in the UK, tenants will soon be spoiled for choice. Mr King at APR says only the best will attract the top payers needed to make them viable, particularly the office tenants which must be drawn out of city centres.

Smaller schemes will work where they have a special function such as relieving congestion in provincial town centres. But they also need special attractions. In Cardiff, for instance, John Coombes at Gooch & Wagstaff is brimming with confidence over a 16-acre park which may include a 150-bed hotel – a concept tried and tested in tha US. But APR sees a shadow hanging over most parks with a rag-bag of buildings and poor services.

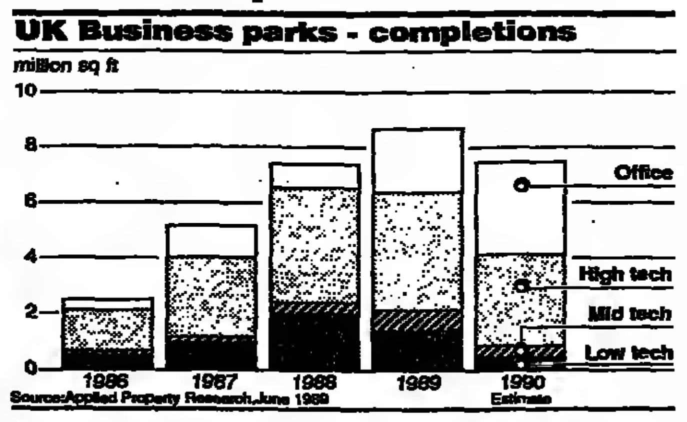
That message could apply right across mainland Europe, where UK developers lika Higgs & Hill, LET and Slough Estates are building np a lead before the local competition learns that there are fundamental differences between science and business parks.

That took a while to sink in back in the UK. In fact there are still some signs of confusion, as local authorities and developers try to cover a every option with flashy marketing and high-tech labels. Only when they fail to attract either scientists or businesses will they realise they are building the worst of both worlds.

UK Business parks - floorspace



UK Business parks - completions



PROPERTY

Widening activity

THE SLOWDOWN in activity perceived in some areas of commercial property development appears to have left untouched the emerging partnership of corporate sponsors and professional property companies in the field of science parks and similar high-technology property projects.

While the pace of openings of science parks in the UK has slackened, this can be ascribed to a natural slowing down from the boom years in the mid-1980s when the concept was still relatively new to Britain rather than to any loss of faith.

Newly-planned science parks may be finding it a shade more difficult to attract commercial sponsorship but this is a problem shared by all investment projects at present. Existing parks appear to find no problem in attracting funds for the planned expansion of projects.

The Surrey Researcb Park, originally planned in 1984 and opened two years later, is moving into Phase Five of its development phase, which will be completed in 1994 when 50 per cent of the project will have been carried to fruition. The park has stuck to its original definition that only clients involved in research and design are acceptable. Dr Malcolm Parry, of the Surrey Research Office, reports thet a high proportion of new space is taken up readily hy existing corporate residents of the park.

Previous phases of the Surrey development have been largely pre-let and Dr Parry sees no slackening in the pace of interested potential corporate partners or commercial tenants.

The success of the science park phenomena has brought to more than 40 the total number of parks recognised by the UK Science Park Association (UKSPA) and the number rises sharply if account is taken of the many similar bnt essentially imitative projects which have followed down the same path.

Definition is a difficult matter; the Surrey Park includes a 120 bedroom Post House Hotel at Gnildford which is essentially part of the park's infrastructure. Many technology-based parks now take account of such opportunities, and of the requirement for such facilities by high-technology companies which are often, almost by definition, internationally oriented. The science park concept has its roots in the US, where commercial sponsorship has a longer history of participating in researcb-based or academic campus developments.

A review of science parks and high technology developments carried out by Drivers Jonas earlier in the decada drew attention to the discrepancies between the US and tha UK experience. On the other side of the Atlantic, the initiative for the formation of science parks lay largely with the universities, in contrast with the UK where the universities were less prominent at first. At the same time, US science parks were usually very large, offering greater opportunty for research, development, marketing and even manufacturing operations to settle down in proximity.

Parks appear to find no problem in attracting funds

The pressures on UK univeraitiee to commercialise research and to seek out business sponsorship is likely to provide a spur to science park development; but it will also increase the pressures to accept companies with mannfacturing, as well as research and development interests.

Among projects reporting significant property offtake has been the Birchwood Science Park at Warrington Cheshire. The town stands as a good example of the marriage of commercial and research needs. It has been fuelled by its geographical position close to the bub of good road communications and benefited from the high degree of publicity generated by some early entrants to the new corporate area.

Since the beginning of last year, Birchwood, which was developed by Warrington and Runcorn Development Corporation on a long lease with funding from the NCR Ltd Pension Plan, bas successfully proceeded with the letting of stage two, known as Birchwood Boulevard.

MBS plc has paid £61,000 per annum for about 8,000 sq ft on a lease expiring in 2011; ICI's International Electronics subsidiary has paid £28,620 for a lease on 5,480 sq ft of office space to house its management and commercial centre. At Risley Science Park, also in Warrington, Acoustic Technology and Stratus Computers hava both taken offices.

At Abingdon Business Park, sometimes called Oxford Science Park, Standard Life, the owner, has completed the final lettings at Windrush and Hitchin Court at about £10 per aq ft to a clntch of tanants inclnding Central TV and Research Machines Ltd.

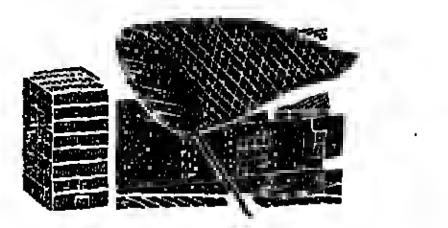
These and many similar developments bear ont the changing image of the UK science park. While high technology research and development associations may play the leading role in setting a science park on its feet, further davelopment encompasses a wider range of activity. The provision of test bed facilities for computer research is often only a small step from full manufacture.

At Solent Business Park, for example, where the aim is to build a low density campus environment, the most prominent feature of recent letting has been the acquisition of 105,000 sq ft by Digital Equipment, which has agreed terms on a further 75,000 sq ft. However, there has also been significant offtake by a variety of tenants ranging from Willis Faber, the insurance broker, to Société Générale de Belgique, of smaller office units perhaps less immediately identifiable as high technology usage.

The Drivers Jonas report discovered that commercial support for science parks leaned more heavily on such factors as proximity to an international airport than even the availability of university support. From that basis, it is not difficult to argue for the inclusion of good quality hotel and restaurant facilities in a science park, and indeed, many new projects will offer such facilities.

The trend towards science parks linked to industrial rather than academic research was spotlighted by the opening last year of Belasis Hall Technology Park, next door to ICI's Teesside chemical complex. Its early success indicates that in the changing climate for university-based research, it may have pointed the way to the future.

Terry Byland



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Charles Batchelor on park tenants' difficulties in raising finance

Uncomfortable partnership

THE high technology-based companies which set up on Britain's science parks and the venture capital industry should be made for each other. Who else will be able to provide the high returns which are sought by the venture capitalists if it is not the companies developing the technologies of the future?

Sadly, science park tenants have a poor record of raising venture capital finance and a jaundiced view of the venture funds. Only 3 per cent of science park companies use venture capital to get started and only 8 per cent take in second stage venture finance once they are established.

Many science park companies look on venture capital more as 'vulture capital,' acknowledges one financier. They see the venture capitalist as seeking the maximum stake in their company for the minimum level of investment.

Venture capitalists undoubtedly do drive a hard bargain with their investee companies. But the financiers attribute part of the problem to the academic and technical background of many of the founders of science park companies. This can make the company founder suspicious of the commercial motives of the venture capitalist and the venture capitalist, in turn, suspicious of the management abilities of the people he is being asked to back.

A second important reason for the failure of science park companies to attract much venture capital funding is the distance of many of the parks from the main sources of venture capital in London and the south-east.

Science park tenants have a poor record of raising venture capital finance and a jaundiced view of the venture funds

Hatt Science Park Investments, a fund set up by Hambros Advanced Technology Trust (Hatt) to invest £1m in science park companies in 1988, has encountered little competition from other national venture capital funds in its trawl for attractive investments, according to Mr Alexander Anton, investment manager.

But the problems that science park companies face in raising equity finance are only part of more far-reaching difficulties affecting small companies in general and high-technology companias in particular. The losses made by many venture capital companies on technology-related investments in the early 1980s have made many investors wary of backing technologies they do not understand.

Investments in technology-related companies fell from 16 per cent of all venture capital investments in 1987 to just 9 per cent last year, according to the British Venture Capital Association. But the outlook for small high-technology companies is not completely bleak. The venture capital industry and the government are both keenly aware of the shortage of equity funding for what is a crucial sector of industry.

Lord Young, Trade and Industry Secretary, recently called for venture capitalists and the banks to invest more in high-tech businesses. The government has committed £29m to its Small Firms Merit Awards for Research and Technology (Smart) scheme over the next three years. This is too little, in the view of some critics, but it will help about 150 small businesses or individuals a year to develop ideas which could not tap conventional sources of finance.

Prince Charles last month added his voice to those calling for more backing for small and high-tech businesses. With the exception of the Smart scheme neither the government nor the universities had organised systemic help or tackled the fundamental issues facing innovators, the Prince told the British Venture Capital Association's annual dinner.

The association is working on a plan to create new seed capital funds of between £5m and £10m each to specialise in particular sectors such as biosciences and medical products. It also hopes to persuade large City investors to allow the venture capital funds in which they invest to set aside part of their funding for seed capital purposes.

Despite the urgency of these efforts to increase the availability of seed capital finance the flow of new funds to technology-related companies has not dried up entirely. True, the bulk of new fund-raising by venture capitalists is intended to finance their passion for management buy-outs and buy-ins. But a number of more modest funds have been raised specifically for technology purposes in recent months.

Korda and Company, a business and technology consultancy, announced a £5m seed capital fund to invest in technology-based start-ups in March. The Korda Seed Capital Fund plans to invest in up to a dozen start-up companies over the next five years in fields such as health care, bio-technology, advanced materials and information technology.

A further small boost for technology investments came in May with the creation by Greater London Enterprise, a business development agency owned by 13 London boroughs, of a £250,000 fund to provide seed capital for technology-based start-ups. The Kick Start Technology Feasibility Fund will invest amounts of between £5,000 and £25,000.

The banks too are increasing their involvement in high-tech companies despite doubts about their ability to operate in such a high risk field so far removed from the conventional banking area. Barclays Bank has for some time made a speciality of helping such companies but is now being emulated by the other large banks.

National Westminster Bank has created a special Technology Unit, comprising managers trained to understand the problems of technology-based businesses, and set up a new Seed Capital Loan Fund to provide finance. The fund will make loans of between £5,000 and £50,000 to help fledgling businesses research and develop new ideas and products.

Despite these signs of a modest revival of interest in start-up and technology-based businesses the venture capitalists and the banks are proceeding with caution. Of the six investments which Hatt has made since it set up its science park fund two have failed to perform and have had to be sold on at cost. Science park companies should be ideally placed to benefit from local networks of advice and assistance but even they are not immune to the problems which can overwhelm the small business.

MERSEYSIDE INNOVATION CENTRE

An inner city option that runs counter to current trends

IF Cambridge represents one extreme of the UK science park movement – in terms of its size and character as a extensively landscaped development with few central management services – Merseyside Innovation Centre is a good example at the opposite end of the scale.

Its 15 tenants share a two-story 1950s brick building, originally Liverpool University's nuclear physics department, on a two acre site in the shadow of city's Roman Catholic Cathedral.

But MIC's role as a provider of accommodation to young science-based companies – in other words its traditional science park role – is subsidiary to its outreach function, giving advice and technical assistance to small companies throughout Merseyside.

"Over the last three years we have helped about 1,000 individuals or companies," says Mr Arthur Rimmer, MIC executive director.

"Demand has been increasing greatly both in terms of quantity and in terms of the type of assistance requested, and the centre has been undergoing a process of rapid organic growth."

MIC was set up in 1982 as a joint initiative by Liverpool University, Liverpool Polytechnic and Merseysida County Council. Mr Rimmer says its primary purpose was and still is to act as a regional development agency – "to help regenerate the regional economy through technology." A second objective is to strengthen the links between the higher education establishments and local industry.

The core of MIC's work is the technical advisory service. This helps clients both to solve specific technical problems and to develop new business opportunities, innovations and inventions. "Our prime task is to identify the relevant package of technology required in each case and foster the transfer from the owner of the technology to the recipient, to their mutual benefit," Mr Rimmer says.

Recently MIC has expanded its technical support service into areas of marketing and training, and it is planning a further extension into a financial advisory service. The training programme, which has grown particularly fast this year, includes YTS courses in basic computer literacy, the Shell-sponsored STEP programme introducing undergraduates to small companies, the Manpower Services Commission-sponsored Graduate Gateway programme introducing graduates to small companies, and special training programmes for individual companies. MIC is also working with the university to retrain graduates working in industry and to develop "the idea of anterprise" among undergraduates.

In addition there are special activities, such as advising Merseyside companies on quality assurance.

Although MIC has 11 full-time staff, much of the advisory work is done by outside experts. "We hire a whole host of part-time consultants from the university, polytechnic and elsewhere," Mr Rimmer says.

The centre's own tenants cover a wide range of activities. The largest is Liverpool University's Environmental Advisory Unit – now established as a limited company – with 27 employees. Another is Tachograph Analysis, concentrating on the devices in trucks and buses which record speeds and distances travelled. One of the smallest tenants is Integrated Materials Technology, a wife-and-husband company making fibre-reinforced composite materials.

The 15,000 sq ft MIC building is now completely full and there is a waiting list of small high-technology companies and entrepreneurs who want to come in. Mr Rimmer is therefore looking for additional space – a further 30,000 sq ft would be ideal – and funding to expand MIC's science park activities.

Clive Cookson

The EC is playing a direct role in promoting parks, writes **Clive Cookson**

Rapid growth throughout Continent

THE science park movement is growing rapidly throughout Europe. But there is considerable variation between the style of parks in different countries.

France has Europe's grandest vision. Local authorities, particularly in south-east France, are setting up large-scale technology parks or technopoles, which have more in common with, say, Research Triangle Park in North Carolina than with even the largest British or West German parks.

According to a survey of European science parks by Mr Dick Porter of management consultants KPMG Peat Marwick McLintock, the number of operational technopoles in France rose from six in 1985 to 18 in 1988. A further 14 are under construction and 12 in the planning stage.

To give an idea of the scale of the technopoles, France's 18 operational parks have a total of 1.87m square metres of accommodation, compared with 300,000 sq m for the 38 UK science parks.

An average French technopole has 14 times more space available than a British science park. And the largest and oldest technopole, Sophia Antipolis, sprawls over 650 hectares of hillside overlooking the Riviera near Nice.

Although the early technopoles concentrated on wooing large high-technology companies – particularly in electronics and computing – the emphasis is beginning to change. Technopoles are increasingly incorporating innovation centres or incubators for small companies and start-up ventures.

The average French science park has 14 times more space available than its British counterpart

At the same time, organisations known as pépinières (seedbeds) are becoming widespread. They are designed to help new companies bring products to the market. KPMG estimates that half of France's technopoles are developing facilities of this sort.

Elsewhere in southern Europe, the science park movement is emerging more slowly. Six of Spain's 17 regions now have a *parque tecnologico*, similar to the French technopole. The parks in Madrid and Barcelona are located in industrial development zones, alongside existing research establishments and technology based companies (AT&T and Pirelli respectively).

Italy has only limited science park activity. Tecnopolis Novus Ortus (New Rising), started near Bari in 1984, comes closest to a conventional science park. Although it currently has only 20,000 sq m in use by 15 companies, considerable expansion is planned for the next five years.

Science parks in northern Europe tend to come closer to the UK model. In West Germany 68 "innovation centres" have sprung up since the launch of the pioneering BIG centre in Berlin in 1983. The movement is now spreading to Austria, where the first innovation centre opened in 1985 followed by six more last year, and to Switzerland.

According to Mr Heinz Fiedler, managing director of the Association of German Technology and Enterprise Centres (ADT), at the end of 1988 the 68 German centres had a total of 300,000 sq m let to 1,269 companies with 9,059 employees. In total, therefore, the German innovation centre movement is similar in size to the UK Science Parks Association, but the individual centres are smaller on average than British science parks.

In Belgium, four science parks were set up in the 1970s (in Brussels, Leuven, Louvain-la-Neuve and Liège) and today there are seven fully operational parks. The Belgian approach has been similar to the French technopole, with emphasis on attracting established research-based corporations.

Investment in the infrastructure and buildings of European parks comes largely from the public sector

Mr Porter of KPMG says that Belgian parks have Europe's lowest proportion of start-ups and independent companies; about two-thirds of their tenants are either established Belgian companies or subsidiaries of foreign companies.

Science parks have been slower to develop in neighbouring Holland. The first ones were established at Groningen and Leiden in the mid-1980s. Today the Netherlands has four operational science parks with three more under construction or planned.

Scandinavian science park activity is furthest advanced in Sweden and Finland, each of which has seven fully operational parks. Norway is just getting under way, with one operational park and four under construction or planned.

Despite the differences across Europe, parks in different countries do share many common features. One is that the investment in park infrastructure and buildings comes largely from the public sector.

And the prime objective is to promote regional or local economic development.

National, regional or local authorities have contributed 60 per cent of the funding for UK science parks, about 75 per cent in Germany, France and Holland, and almost 100 per cent in Belgium.

In countries such as Germany, where sources of venture capital and private finance are much less developed than in the UK or US, the funding for growing companies on science parks is also likely to come from the public sector, via state-owned banks.

The EC is playing both a direct and an indirect role in promoting the growth of science parks. Direct assistant comes from regional development programmes which help to finance new science parks in poorer parts of Europe such as Spain, and from programmes and organisations intended to promote technology transfer, such as Sprint, TII (Technology, Innovation, Information) and the European Business Network.

But the indirect effect of the EC may be more important. As 1992 and the single European market approach, some of the less well developed European countries see science parks as a way to promote high-technology industries which will help them compete more effectively after the barriers come down.

More detailed information about science parks in Europe will be available from the proceedings of the Fourth Annual Conference of the UK Science Parks Association, published this month by UKSPA, 44 Four Oaks Road, Sutton Coldfield, West Midlands B74 2TL, at £48. UKSPA also offers a range of other publications about science parks and maintains a database with detailed information

CAMBRIDGE SCIENCE PARK

Leader of the pack

IN ONE respect, Cambridge is far ahead of England's other ancient university city. While rival groups fight for planning permission to build Oxford's first science park, Cambridge Science Park is quietly celebrating 19 years in business and consolidating its position as the UK's largest and most successful science park.

Although Trinity College formally established CSP in 1970, when it requested outline planning for the first 14 acres, construction of accommodation for the original tenant, Laser-Scan, did not start until 1973. (Laser-Scan, founded by three researchers from the university's Cavendish Physics Laboratory to commercialise computer-controlled laser deflection techniques, is still on the same site – now with 160 employees.)

There were four tenants when CSP was officially opened in 1975. The development gained momentum only slowly during the late 1970s but it quickly gathered pace during the early 1980s, as Cambridge became a fashionable location for high-technology companies.

Local economists still debate the extent to which CSP helped to fuel the "Cambridge Phenomenon" – the growth of science-based industry in and around the city. Some say that cause and effect were more the other way round: publicity about the Cambridge Phenomenon brought success to the science park.

CSP expanded to 86 acres when Phase 3 started in 1982 and 110 acres with the addition of Phase 4 in 1985. This year construction starts on Phase 5, the final stage, which will fill in the remainder of the 130 acre CSP site owned by Trinity College on the north-eastern ontskirts of Cambridge, between Milton Road and the A45 northern by-pass. Buildings totalling 677,000 sq ft are now complete, with a further 135,000 sq ft to be constructed for Phase 5.

Although most of the architecture is consciously high-tech, Trinity College has not attempted to impose a uniform style and the aesthetic standards of the buildings vary. Fortunately CSP's largest tenant – Napp, a pharmaceutical company specialising in controlled release drugs – has put up an elegant sloping-sided building, designed by Arthur Erickson of Canada, for its 350 staff.

CSP has been landscaped in what is becoming the classic science park style, with lawns sloping down to lakes and plenty of trees between the buildings. Dr John Bradfield, Senior Bursar at Trinity and the person most responsible for CSP's success, says that the ultimate aim is for the park to look as good as the mature gardens of Cambridge colleges.

Commercial activities at CSP are restricted to: applied scientific research; light industrial production which is dependent on regular consultation with scientists in the area; and ancillary activities appropriate to a science park.

The 70 tenants cover a wide range of science and technology. Some are small companies recently established by business-minded Cambridge scientists. Others are branches of multinational companies which think that the scientific excellence of Cambridge provides a favourable environment to develop a particular sector of their activities (for example GEC's Marconi Maritime Applied Research Laboratory) or an essential location for a listening post (IBM Academic Systems Marketing).

New companies that are too small to afford their own custom-built premises can start life inside one of the two Cambridge Innovation Centres, incubator units which supply shared facilities. Space in the recently completed second building costs about £14 per sq ft to rent.

Although Trinity College actively promotes liaison between CSP tenants and university laboratories, it has never insisted on such contact. "Cambridge, as a world-famous research centre and hot bed of high technology enterprise, does not need and is too diverse to provide the kind of formal links between companies and academics which the term 'science park' sometimes implies," Dr Bradfield says.

"But the majority of CSP companies benefit greatly from personal, technical, financial or less tangible kinds of liaison, either all the time or when the need arises, and they know that they have only to lift the telephone to be helped with further contacts. Equally, a valuable commercial awareness is developing in the university – hard though both of these trends are to measure."

CSP now has a baby sister. St John's Innovation Centre, which St John's College opened in 1987 on a 19 acre site next to CSP, is primarily an incubator for new ventures.

Meanwhile in Oxford the next round of the battle over the proposed Isis Science Park begins this month, when the developers will put in a new planning application for a 130-acre park on Hinksey meadows. Opponents claim that this would be an unacceptable violation of Oxford's green belt.

Clive Cookson

United States

Search for sophistication

RESEARCH parks in the US are trying to forge more links with their counterparts at home and abroad in the search for greater sophistication in an ever-more competitive market.

Where, for example, a university is trying to commercialise some of its research, its neighbouring science park could draw through its informal network on a much larger pool of investors with the necessary finance and expertise.

Similarly, a surge of park creation during the mid-1980s has left an abundant supply of space and a dwindling number of yet unattached research institutions. Thus, the rate of park formations has fallen dramatically and sponsors of some projects are now having to cast their nets much further afield to find enough tenants.

Internationalisation is also being spurred by factors abroad. "Europe seems to be a hot ticket with lots of interest in the impact of 1992," said Mr Chris Boettcher, executive director of the Association of University Related Research Parks, in Tempe, Arizona.

For example, Research Triangle, the huge and well-established park in North Carolina, now has full-time marketing representation in Europe to sell its attractions.

One of the most ambitious efforts to forge foreign links is being made by Science Centre International, a venture 30 per cent owned by Philadelphia's University City Science Centre and 70 per cent by the new Kyoto Research Park in Japan.

The Japanese end of the venture is off to a fast start under the sponsorship of Osaka Gas on an urban site surplus to its needs as a utility. In only 14 months, construction has started on $100m worth of buildings which are already fully booked by tenants.

Planning for phase two has begun. "The Japanese are very thirsty for ideas and they are moving forward very quickly," said Mr Gordon Carlisle, a Philadelphia consultant to the Kyoto park.

The Philadelphia end draws on the large, 26-year-old University City Science Centre. The next stage for the joint venture is to establish an International Technology Exchange at the Philadelphia centre, said Dr Timothy Weckesser, head of the joint venture's US arm.

"We already have an extensive US-Japanese network. Our target is to build a European network this year and next," he said. "We want to give research parks abroad a simple and effective centre here on the eastern seaboard for technology transfer."

A surge of science park creation during the mid-1980s has left an abundant supply of space and a dwindling number of yet unattached research institutions

However, most parks lack the financial resources of such mature establishments as Research Triangle and Philadelphia.

"Research parks are developing more formal programmes and networks to facilitate technology transfer from academic to commercial realms," said Mr Carlisle.

It is early days yet and parks are trying to work out how to put their relationships on a fair and formal footing. What sort of fee or royalty, for example, should a park get for introducing an investor to another park trying to promote a promising piece of new technology?

Another trend in the US is the growing participation of private sector real estate companies in the development of parks. In some cases they become partners of a research institution.

The relationship has to be carefully defined to prevent the parties' differing goals creating friction. The real estate company is likely to be motivated more by profit and the university by enhancing its research function.

But the two can also complement each other, argued Mr Glenn Mitchell, general manager of Canada's Edmonton Research Park and the president of the AURRP. "The private sector partner can bring discipline, initiative and drive to these projects which universities often lack."

A notable partnership example is Oakland Technology Park in the Detroit suburb of Auburn Hills. It began in 1983 as an attempt by concerned local people to reverse the considerable loss of jobs in the Detroit car industry.

Comerica, the second largest bank holding company in Michigan, bought 1,100 acres of land adjacent to 700 acres owned by Oakland University, a state-funded school which had some links with the motor industry but not a particularly strong research function.

The rate of park formations has fallen dramatically and sponsors of some projects are now having to cast their nets much further afield to find enough tenants

The park has attracted a large number of high-tech companies related to the motor industry. Chrysler, for example, is building a 3m sq ft technology centre, GMF Robotics, a joint venture between General Motors and Fanuc of Japan, has established its world headquarters there. Other companies to buy land and build facilities include GKN of the UK and ITT World Automotive.

"Our early analysis showed it would take 18 to 20 years to fill up the park," said Mr Phil Houdek, programme director at Schostak Brothers, the real estate company brought in to manage development. "But now its looking like 10 years."

Similarly, first estimatea indicated the park would create or help retain some 25,000 jobs but the most recent forecasts is for 53,000 jobs when companies have finished investing some $2bn-$3bn and the park is complete.

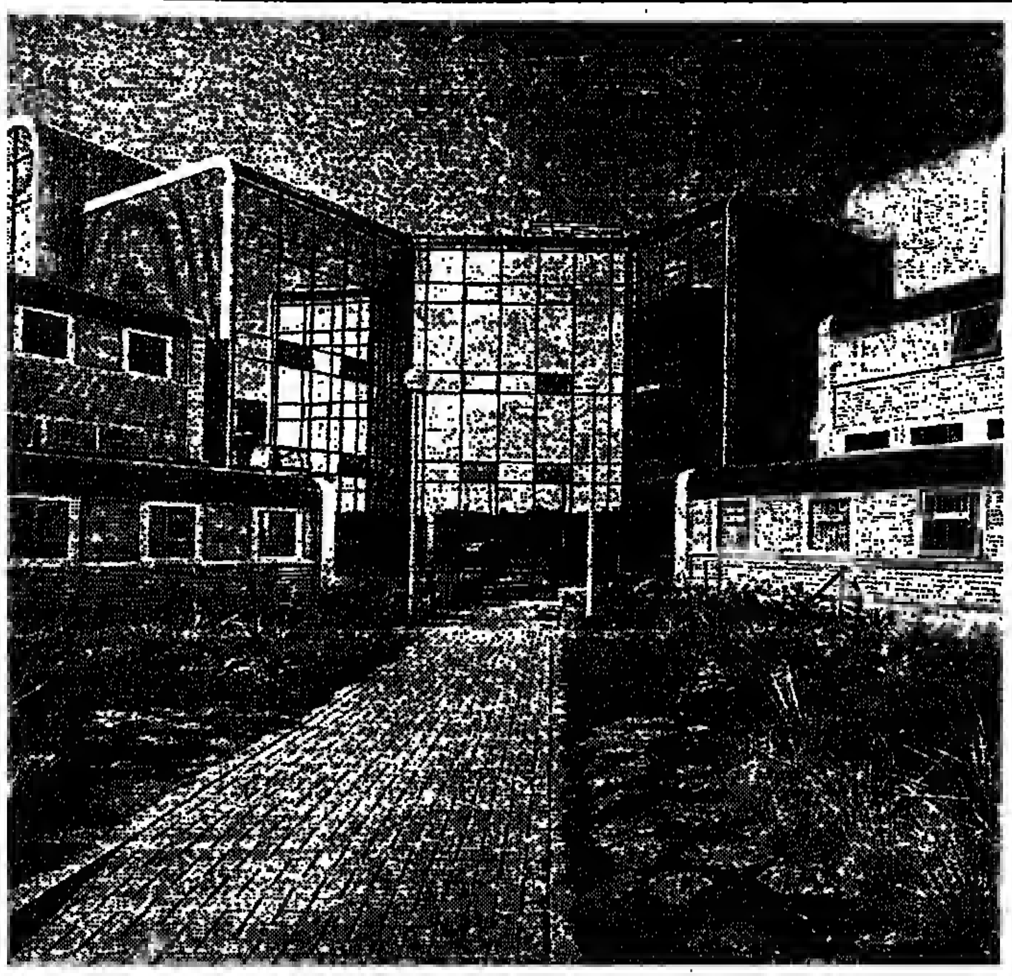
Not only are research parks having to offer more facilities to attract companies, they are also suffering some competition from business parks. Purists say these planned office and light industrial developments cannot claim to be research parks because they lack links with academic institutions. But for some companies they provide ample ambience and sufficient support to be a practical alternative.

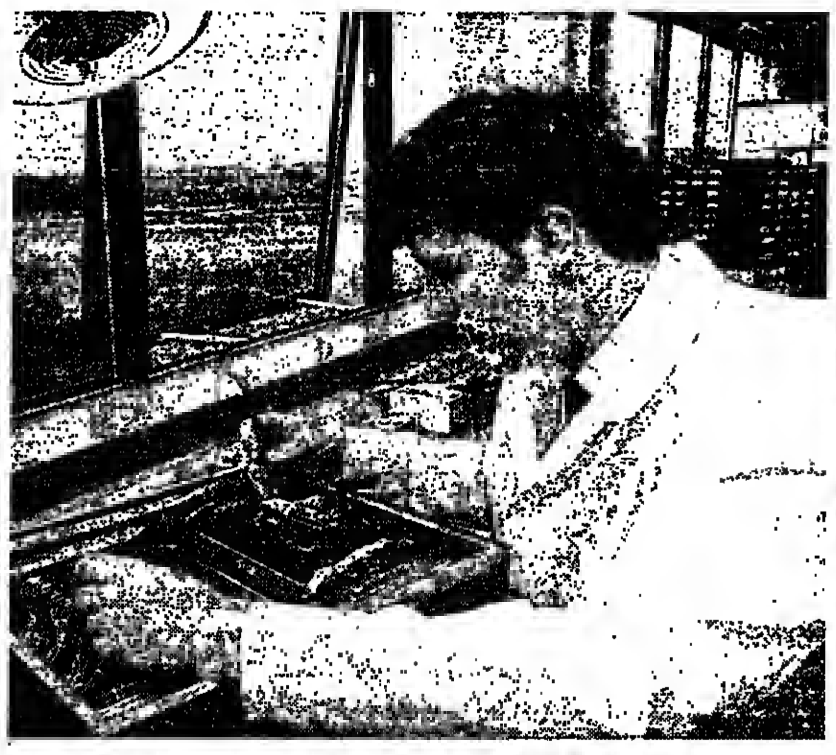
The sector "is glutted in nearly every market," according to an annual survey by Equitable Real Estate Investment Management, a subsidiary of the life insurer.

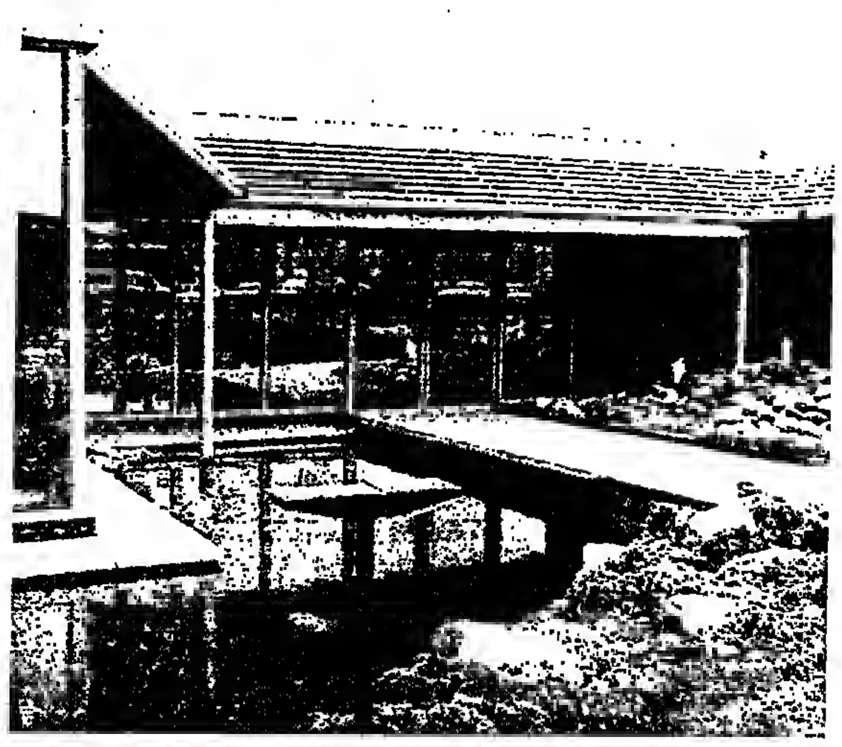
"The hope of this segment in the long run is its ability to accommodate different types of tenants as market forces dictate. However, with vacancy rates above 25 per cent in most areas, and more building planned and easily built, this product will remain weak into the early 1990s."

With such facilities claiming some of the bottom end of the park market and adding to the pressure of over-supply of true research parks, sponsors will be forced to become more professional and business oriented in the coming years.

Roderick Oram







THE Genesis centre in Warrington, part of the Birchwood Science Park (left); technician at Surrey Research Park, University of Surrey (above centre); and a high-tech building at Cambridge Science Park (above left).

CSP, launched 19 years ago by Trinity College, is strengthening its position as the UK's largest and most successful science park.

There are several hundred such parks worldwide varying greatly in size and function. The sector has been bedevilled by definition. The trend is to label every development as a science/business park – however, this is often inaccurate.

The problem is that no institution has been able to set a feasible definition and almost every pocket of modern development outside a town centre claims the "park" title.

Developers are also thinking big: more than 50 parks of 1m sq ft and above are planned in the UK. This has helped produce a UK total of more than 190m sq ft of space being promoted as business parks – more than the total existing office space in central London.

Surveyors Healey & Baker found that up to 35 per cent of the UK's business space was being taken by accountants, insurance and financial companies and professionals in research conducted a year ago.

COMMODITIES AND AGRICULTURE

Australia's BHP forced to import Canadian coal

By Gerard McCloskey

THE TIGHTENING supply of coking coal around the world has resulted in Australia, the world's biggest exporter of coal, being forced to import a series of cargoes from Canada.

The customer for the coal is BHP Steel which not only has its own mines but also has a sister company, BHP Utah, which is the world's largest coking coal exporter. The embarrassment for BHP Steel in this coals-to-Newcastle business is only slightly mitigated by the fact that the coal is to produce coke for sale on to Philipp Brothers, the trading house, rather than for the company's own steel works. The coal is being supplied out of British Columbia from Westar's Balmar mine.

But if this one contract is an oddity the background to it of an extreme shortage coal on the world market – particularly of coking coal – is becoming pervasive. It is likely to get far worse with the strike at Pittston, the top US coking coal exporter, looking as entrenched as ever as it enters its third month. Last week Pittston declared *force majeure* on all its export *shipments*.

While a strike at Fording Coal, now in its second month, in Canada may be inching towards a settlement, another is threatened at the massive Quintette operation in northeastern British Colombia and there are rumblings of discontent among South Africa's National Union of Mineworkers which could boil over into a strike.

Buyers are keeping their fingers crossed that the sympathy strikes in the US – many in mines with no-strike clauses – will end once the miners finish their annual vacations at the end of next week.

To cap all this drying up of supplies, the Brazilian steel mills are seeking to buy an extra 2m tonnes having failed to agree prices with all their traditional suppliers. The big steel mill's buyers are beginning to get a little fidgety, particularly within the US and in some European countries. In Japan, whose mills dominate world buying, *substantial* preparation was made for the Pittston stoppage and stockpiles are at a good level. But buyers say that if the US strikes continue until August they will begin to feel the pinch.

In Europe the shortage is already beginning to hurt. French buyers have asked South Africa coking coal producers Gencor and Anglo American if they can supply replacement tonnage. The South Africans have responded coolly, telling Atic, the French state coal importer, that they will look after their regular customers first.

But the most virulent outburst has come in a letter from Italy's state steel producer, Ilva, to Mr Paul Douglas, chairman of Pittston Coal, expressing the Italians' "frustration" at Mr Douglas's rejection of negotiations with Mr Rich Trumka, leader of the United Mine Workers' Association.

"We believe that the issues at stake between Pittston and the UMWA become a sort of marginal problem as opposed to responsibility and the real risk of blowing up your customers coke plants," says the letter which accused Mr Douglas of "maintaining personal attitude of possible proudness."

By rejecting the union's invitation to negotiate, Pittston has threatened the "devastation" of the Algerian and Italian coke plant.

It is unclear whether this letter will help to solve or prolong the strike, but its message is clear: the European steel producers are beginning to worry. The European steel companies are particularly vulnerable to this action since they have moved away from buying Australian coking coal this year and towards the US producers. Now it is too late to switch back and, with steel production booming around the world, the risk to operations is coming daily closer.

High output hits salmon prices

By James Buxton, Scottish Correspondent

A NUMBER of Scottish salmon farms are feared likely to go out of business because of a sharp drop in the price of farmed salmon which is being blamed on overproduction by fish farmers in Norway.

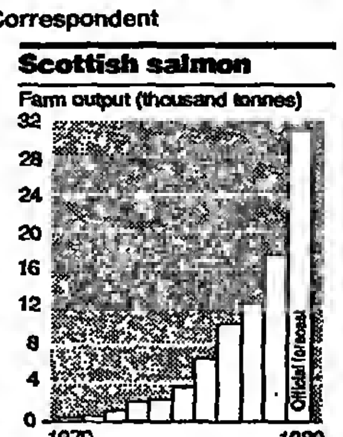
Scottish salmon farmers are compiling evidence of what they claim is dumping of salmon by Norway. Britain and Ireland have officially raised the issue with the EC Commission and may call on the Commission to take action against Norway.

The price of a Scottish salmon has declined by 25 per cent in the past year and now stands at £1.10 per pound, as delivered in France, according to Mr William Crowe, of the Scottish Salmon Board, the producers' organisation. This he says compares with the cost of production at the farm gate of about £1.45. As a result Scottish farmers are being obliged either to sell below cost, or stop harvesting fish.

The latest collapse of prices is attributed to the decision last month of the Norwegian Fish Farmers Sales Organisation to lower its minimum sales price to exporters from about Norwegian Krone 40 (£3.50) a kilogram to NKr 34. Mr Crowe says he has evidence of Norwegian producers quoting prices as low as NKr 24.

Scottish salmon

Farm output (thousand tonnes)



The Norwegian producers are cutting prices partly because of an unexpectedly large rise in output from their salmon farms. Instead of the 120,000 tonnes of fish they expected to produce this year they now forecast output at about 150,000 tonnes. Last year they produced about 90,000 tonnes.

Mr Crowe says he has evidence that production costs in Norway average between NKr 34 and NKr 40 per kilo, suggesting that many Norwegian producers are selling at below cost.

Among steps open to the EC are bringing salmon within the EC fisheries policy and setting a reference price; setting up a deficiency payments scheme; and applying anti-dumping measures against Norway.

One leading Scottish salmon farmer, who did not wish to be named, said that farms which were heavily borrowed or had not established strong marketing channels ran a strong risk of going out of business. "We ourselves had expected a bad year this year," he said. "With the latest drop in Norwegian prices we are expecting a very bad year."

Scottish output has been projected to rise from 17,951 tonnes to about 31,000 tonnes this year. Mr David McCarthy, chairman of Marine Harvest, a Unilever subsidiary, said he expected prices to stay low for some time. Farmers had to become more efficient and improve their marketing, he said.

Mr Per Olav Hernes of the Norwegian Fish Farmers Sales Organisation denied that the Norwegians were selling below cost. Older farms had costs of about NKr 20 a kilogram and newer ones NKr 30-32.

Malaysian cocoa surges into the big time

Lim Siong Hoon on a maverick producer which is climbing the world output league

NOT LONG ago, the Malaysian cocoa bean mattered little to the world; the country itself confined its attention to a few experimental farms, some cocoa plots here and there, and seedlings stuck in between rows of coconut trees.

Then came the price boom in the late 1970s. Since then, nothing, not even the current price slump, has halted the extraordinary advance of Malaysian cocoa.

From a mere 23,000 *tonnes* in 1977-78, production shot up to 60,000 tonnes in 1981-82 and 222,000 tonnes in 1987-88. In its latest market report, Gill & Duffus, the London trade house, estimates the 1988-89 total at 240,000 tonnes, placing Malaysia fourth in the world production league behind the Ivory Coast (780,000 tonnes), Brazil (345,000 tonnes) and Ghana (305,000 tonnes).

The country took to cocoa to lessen its commodity export reliance on rubber – a diversification strategy which proved successful with palm oil.

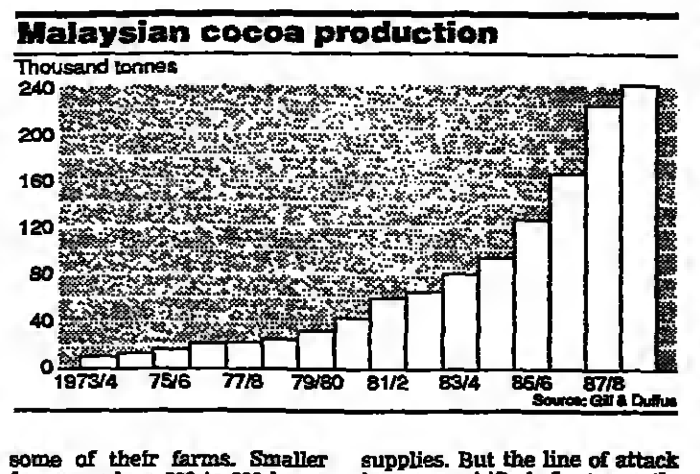
Unlike rubber or oil palm, cocoa is not an easy crop to grow. The commercial trials, 30 years ago, were a disaster. But the country had a century of plantation management experience and this made a difference.

Pest resistant hybrids were developed for the local soil (by crossing the upper amazon and trinitario varieties). Then came high density planting, which suited the highly organised and efficient farms.

The result was greatly improved productivity. Large estates, such as those run by Harrison Malaysian Plantations, can squeeze out more than 1.5 tonnes a hectare from some of their farms. Smaller farms produce 600 to 800 kg on the same acreage, which is still more than the average yields in Ghana or the Ivory Coast.

Malaysian cocoa production

Thousand tonnes



There are now trials both on private and government initiatives to boost yields to tonnes a hectare. "There is nothing new in high density planting," says Mr John Pater of Nestlé, the Swiss food company. Mr Pater, the company's agricultural services manager in Malaysia is advising local planters on farm management. "It is simply a lot of timely weeding, irrigation, pruning and harvesting."

The relentless surge in Malaysia's exports rankled with the African and South American growers, who, as members of the International Cocoa Agreement, were contributing to the cost of operating a price-supporting buffer stock operation.

Producer members of the agreement once tried, unsuccessfully, to organise consumer members to boycott Malaysian supplies. But the line of attack has now shifted. Last month, for instance, the Ivory Coast told the Cocoa Association of London that Malaysian cocoa was, when blended with African varieties, ruining the cocoa products making them "insipid and *undrinkable*."

There is an anomaly in Malaysia's disavowal of the cocoa pact; the country has been a front-line member of commodity agreements for rubber and tin. As for the cocoa pact, the Government "has not decided yet" to sign up, says an official.

Malaysian planters are against the pact. It is an ineffective instrument anyway, they say. Member contributions to a buffer stock are constantly falling behind, and members have failed to agree on stock withholding while the present slump had bitten deeper into the industry. "With the prospect of yet another surplus in the 1988-89 crop year, it is unlikely that any meaningful measures can materialise within the framework of the agreement," says the Malaysian Cocoa Growers' Council in a recent report.

There are more pertinent reasons, however. Malaysian supplies half its exports, which totalled 189,000 tonnes last year, to non-cocoa pact consumer members such as Singapore and the US. In such circumstances no levy is payable to the International Cocoa Organisation's buffer stock fund.

In spite of its impressive growth Malaysian cocoa production still accounts for only 10 per cent of the world total – compared with the Ivory Coast's 32 per cent – and the Government feels that would not be enough to give it a loud enough voice within the organisation.

The current price slump, however, may offer the country just the opportunity to strengthen its relative position. "This is going to be a prolonged cycle, longer than the 12-year boom-bust cycle the world had seen," says an industry analyst. Inefficient and unproductive farms, including those in Malaysia, will close. Yet overall Malaysian production is expected to continue to grow because of increased plantings and higher yields.

While the harvest increases, the quality of Malaysian beans continues to be rated as inferior. The country is not listed in the cocoa agreement as a producer of exclusively "now "fine or flavour" cocoa. It has the kind of quality Ivorians liken to poor wine and, therefore, suffers a price discount in the market.

The issue actually concerns two distinct notions of quality. One has to do with the sale contract where quality is spelled out: for example, fewer than 3 per cent mouldy beans per bag; fewer than 100 beans per 100 gm and not the 120 that many Malaysian farms produce. Last year, 36 per cent out of a 68,000 *tonne* grading sample was rejected for reasons such as excessive moisture.

To deal with problems like these, the Government will inaugurate the Malaysian Cocoa Board. Backed by law, the board will regulate grading and organise research to raise acceptable bean standards.

The second issue has to do with taste, and is not a contract condition. Still it counts a lot among western chocolate makers. Says Mr Pater, "If you want the average chocolate taste, you buy Malaysian cocoa."

Unlike the African varieties, Malaysian cocoas have higher acidity levels and are therefore more bitter. This is because Malaysian growers ferment and dry their beans in a hurry. Following the slower African methods will incur more storage and labour costs, and Malaysian plantations, says the analyst, are run by accountants.

Small farms today still persist in the old ways. But in the plantations, where half of the crop is grown, there have been promising experiments with *alternative processing* methods.

They can afford to do that, even in the bad times. The plantations are almost certain to survive the slump – cocoa is not their only crop – and in the long run could help Malaysia to challenge the major cocoa producers, on quality as well as quantity.

Japan worried over rising S African maize imports

By Yuriko Mita in Tokyo

IMPORTS OF South African maize by Japanese manufacturers soared to an estimated 150,000 tonnes in the January-May period, a 57.1 per cent increase from last year, despite government exhortations to companies to reduce ties with South Africa.

The Japanese Government faced an outburst of international criticism in early 1988 when it became known that the country had surpassed the US, West Germany and the UK to become South Africa's largest trading partner. The Government attempted to curb trade with South Africa by placing pressure on Japanese businessmen. According to 1988 trade figures released by the Ministry of Finance, government's efforts did bring some results as Japan's imports from South Africa were 17.3 per cent down on the 1987 total. However, exports dipped only 7.8 per cent.

Japan's imports of South African maize this year have risen because US prices are higher after a poor crop last year while South African prices remain low. According to an official at Japan's Ministry of International Trade and Industry, the increase in imports was justifiable because the volume of South African maize imports was relatively low. For the present, the ministry intended to do nothing more than continue advising companies to exercise caution and not to undermine Japan's relations with the US.

Last year, the Japanese Government asked that maize ports from South Africa be limited to the *1986 figure of 1.2m* tonnes, and analysts say this year's total will probably be within that limit.

Gold price rise attributed to dollar weakness

THIS WEEK'S sharp rise in the gold price had more to do with the dollar's weakness than with news of the resumption of Taiwanese buying, London analysts said yesterday, reports Reuter.

As the London bullion market price rose $7.50 on Wednesday to $383.75 a troy ounce traders on the New York Commodity Exchange had pointed to a Reuter report from Taipei saying Taiwan's central bank had resumed imports after a year-long lapse. But London traders said this was no more than a secondary factor.

"Something along these lines was already discounted by the professionals," said Ms Rhona O'Connell, analyst with Shearson Lehman Hutton. . . "You could feel there was something *solid underneath the market.*"

Yesterday the London gold price edged further ahead to close at $385.50 an ounce.

Chile aims to overtake Japan in iodine output

By Barbara Durr in Santiago

CHILE COULD more than double its 1988 iodine production by 1995 and thus become the world's largest producer.

In 1988, Chile produced about 3,924 tonnes of 99.5 per cent pure iodine. By 1994-95, according to a special report in the Boletin Minero, the monthly publication of the National Association of Mining, Chilean production could reach 8,490 tonnes.

Soquimich (Sociedad Química y Minera de Chile), Chile's *largest iodine* producer, projects a production increase from 3,600 tonnes in 1988, to 4,400 tonnes by 1995. Other plant expansions and new plants are expected to bring in another 2,600 tonnes, according to the association. Existing *plants project* another 1,490 tonnes in the next five years.

Based on current prices in the $17,000-$18,000 a tonne range, Chile could stand to earn more than $144m a year in exports by 1995.

Japan and Chile share approximately 70 per cent of the world's iodine production. Japan produced 7,600 tonnes in 1988, *compared* with Chile's 3,924 tonnes. They were followed last year by the Soviet Union with 2,000 tonnes and the US with 1,150 tonnes.

The world market is growing by an estimated 4 to 5 per cent a year. Iodine is used in catalysers, medicine, dyes, in animal food and in X-Rays.

Chile's mining association says the market for iodine may expand if it is substituted for chlorine in water treatment. It even enthusiastically suggests that iodine could enjoy unprecedented *demand if an experiment* in Japan using iodine as a cure for AIDS turns out to be scientifically sound.

WORLD COMMODITIES PRICES

LONDON MARKETS

COPPER prices continued to decline on the LME yesterday. Three-month metal, which closed at £1,461.50 a tonne, *dipped to £1,450* a tonne during the afternoon in sympathy with Comex, where the September contract again *briefly* breached the $1 level, traders said. Traders said the market appeared to have resumed the recent downward chart pattern which points towards £1,300 a tonne during summer. Most of the potential bull factors seemed to be leaving the market. However, a restraining factor was the low level of LME warehouse stocks. Zinc prices eased in quiet trading as traders awaited news from Peru, where a strike was scheduled for yesterday and today at Minero Peru's smelter facilities.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$15.50-5.60w	-0.50
Brent Blend	$17.90-8.05	-.725
W.T.I. (1 pm est)	$20.40-0.45w	-0.55
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$209-211	-3
Gas Oil	$147-148	-2
Heavy Fuel Oil	$87-88	-2
Naphtha	$185-187	
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$385.50	+1.70
Silver (per troy oz)♣	536c	+1
Platinum (per troy oz)	$512.50	+4.75
Palladium (per troy oz)	$155.50	+0.85
Aluminium (free market)	$1635	+15
Copper (US Producer)	111⅝-112c	
Lead (US Producer)	38.5c	
Nickel (free market)	540c	-20
Tin (Kuala Lumpur market)	26.48r	+0.11
Tin (New York)	463.50c	+0.25
Zinc (US Prime Western)	80¾c	
Cattle (live weight)†	122.26p	+0.72*
Sheep (dead weight)†	183.55p	+8.77*
Pigs (live weight)†	94.05p	+0.75*
London daily sugar (raw)	$331.0x	-32.6
London daily sugar (white)	$444.0x	-24.6
Tate and Lyle export price	£318.0	-24.5
Barley (English feed)	£105.25x	
Maize (US No. 3 yellow)	£133	
Wheat (US Dark Northern)	£133.25	+0.25
Rubber (spot)♥	61.50p	-0.25
Rubber (Aug)♥	64.00p	-0.25
Rubber (Sep)♥	64.75p	-0.25
Rubber (KL RSS No 1 Jul)	258.5m	+1.0
Coconut oil (Philippines)§	$565t	+18
Palm Oil (Malaysian)§	$360v	
Copra (Philippines)§	*$350y*	
Soyabeans (US)	£214	+7
Cotton "A" index	80.2c	+0.1
Wooltops (64s Super)	622p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Jun. w-Aug. z-Sep. u-Jun/Jul. x-Jul/Aug. t-Aug/Sep. v-Aug/Oct. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA £/tonne

	Close	Previous	High/Low	
Jul	806	811	814	805
Sep	825	832	836	822
Dec	877	886	888	877
Mar	866	876	878	866
May	875	887	888	875
Jul	890	902	903	889
Sep	905	914	916	905

Turnover: 3335 (3326) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jul 5 1040.70 (1045.88) :10 day average for Jul 6 1039.55 (1036.68)

COFFEE £/tonne

	Close	Previous	High/Low	
Jul	860	870	880	856
Sep	866	880	900	865
Nov	884	890	905	880
Jan	905	912	921	900
Mar	925	932	930	919
May	942	952	953	938
Jul	965	966	970	965

Turnover: 5937 (9393) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Jul 5: Comp. daily 55.75 (88.35). 15 day average 97.97 (99.07)

SUGAR ($ per tonne)

Raw	Close	Previous	High/Low	
Aug	293.00	301.00	309.00	289.00
Oct	292.00	298.20	314.00	289.00
Dec	289.00	293.00	290.00	
Mar	277.90	283.00	289.00	276.60
May	276.80	282.20	289.00	276.20
White	**Close**	**Previous**	**High/Low**	
Aug	436.00	440.00	440.00	427.00
Oct	390.00	399.50	400.00	385.00
Dec	363.00	379.50	372.00	360.00
Mar	352.00	361.50	363.00	350.00
May	350.00	358.50	356.00	347.00
Aug	349.00	358.30		
Oct	347.00	354.50	348.00	341.00

Turnover: Raw 8578 (9367)lots of 50 tonnes. White 1062 (1806).
Paris- White (FFr per tonne): Aug 2870 Oct 2548, Dec 2410, Mar 2330, May 2325, Aug 2325, Oct 2280.

CRUDE OIL $/barrel

	Close	Previous	High/Low	
Aug	17.68	18.04	18.27	17.56
Sep	17.35	17.59	17.84	17.20
Oct	17.00	17.24	17.45	17.25
IPE Index	18.02	17.93		

Turnover: 6779 (7373)

GAS OIL $/tonne

	Close	Previous	High/Low	
Jul	148.50	147.75	149.25	146.00
Aug	148.25	148.50	149.75	145.75
Sep	147.25	149.00	150.75	147.00
Oct	148.50	151.00	152.50	148.50
Nov	150.75	152.75	153.50	150.75
Dec	153.50	153.75	154.00	152.50

Turnover 6789 (5041)lots of 100 tonnes

FRUIT AND VEGETABLES
Bananas remain abundant at 35-50p a lb, as do French cherries at 80p-£1.00 and Outspan grapefruit 10-25p each, reports FFVIB. Strawberries are 40-60p a ½lb, raspberries 70-90p, peaches 10-15p each *and nectarines 15-25p. Pineapples are* 80p-£2.00. British courgettes are 30-50p a lb (30-55p), homegrown new crop carrots 15-25p (20-30p). Dutch green peppers £1.00-1.75 (£1.10-1.80), red and yellow £1.30-1.90 (£1.50-2.00). Homegrown new potatoes are 13-20p. Hothouse tomatoes are 30-55p (40-60p) and cherry tomatoes 80-90p a ½lb (65-85p). Cucumbers are 40-60p each. Chinese leaves 60-65p a head (75p-£1.00).

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 15,625 tonne
Cash	1835-45	1810-5	1840/1838	1835-8		
3 months	1775-80	1775-80	1790/1775	1775-80	1780-3	32,410 lots
Copper, Grade A (£ per tonne)						Ring turnover 28,850 tonne
Cash	1473-5	1494-6	1479/1476	1477-8		
3 months	1461-2	1479-80	1479/1450	1462.5-3.5	1460-1	75,110 lots
Lead (£ per tonne)						Ring turnover 4,825 tonne
Cash	414-5	420-0.5	415/411	413-5		
3 months	*397.5-8*	*403-4*	*402/398*	*398.5-7.5*	*397.5-8*	*9,456 lots*
Nickel ($ per tonne)						Ring turnover 1,524 tonne
Cash	11750-800	12200-300	11725/11700	11700-50		
3 months	11100-50	11410-25	11300/10900	11050-100	11100-50	6,569 lots
Tin ($ per tonne)						Ring turnover 1,455 tonne
Cash	10100-20	10060-80	10100	10080-110		
3 months	10030-40	10020-30	10050/10020	10030-50	10020-5	1,992 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 10,550 tonne
Cash	1645-50	1655-65	1650/1535	1637-40		
3 months	1555-60	1571-3	1565/1545	1560-5	1570-80	10,967 lots
Zinc ($ per tonne)						Ring turnover 11,875 tonne
Cash	1600-10	1610-20		1590-600		
3 months	1502-10	1610-20	1520/1485	1505-10	1515-25	8,867 lots

POTATOES £/tonne

	Close	Previous	High/Low	
Nov	112.0	107.0	115.0	108.5
Feb	130.0	127.0		
Apr	184.0	177.5	187.0	178.0
May	205.0	197.0	205.0	195.5

Turnover 555 (818) lots of 40 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low	
Aug	161.00	161.00		
Oct	155.00	156.50	158.00	154.50
Dec	158.00	153.50	153.50	152.00

Turnover 108 (46)lots of 20 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low	
Jul	1372	1375	1370	1365
Aug	1400	1410	1401	1391
Oct	1505	1507	1503	1500
Jan	1540	1550	1535	1530
BFI	1398	1401		

Turnover 161 (104)

GRAINS £/tonne

Wheat	Close	Previous	High/Low	
Sep	105.90	105.85		
Nov	108.85	108.80	109.00	108.85
Jan	112.50	112.45	112.90	112.60
Mar	115.50	115.45	115.75	
May	118.00	118.90	119.00	
Jun	120.90		121.00	
Barley	**Close**	**Previous**	**High/Low**	
Sep	104.25	104.10	104.50	104.25
Nov	108.25	108.10	108.60	108.25
Jan	112.00	111.65	112.15	112.00
Mar	114.75	114.25	114.75	
May	116.70		116.75	116.65

Turnover: Wheat 109 (53), Barley 121 (59).
Turnover lots of 100 tonnes.

PIGS (Cash Settlement) p/kg

	Close	Previous	High/Low
Aug	112.0	112.0	112.0
Oct	117.0	117.0	117.0
Nov	118.0	117.8	
Feb	110.0	110.5	109.5

Turnover 15 (20) lots of 3,250 kg

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	385¼-385¾	237¼-237¾
Opening	384¼-384¾	237¼-237¾
Morning fix	384.3	236.711
Afternoon fix	385.5	237.377
Day's high	385¾-386¼	
Day's low	383-383½	

Coins	$ price	£ equivalent
Mapleleaf	397-402	244½-247½
Britannia	397-402	244½-247½
US Eagle	397-402	244½-247½
Angel	395-400	243½-246½
Krugerrand	384-387	236½-238½
New Sov.	90½-91¼	55¾-56½
Old Sov.	90½-91¼	55¾-56½
Noble Plat	514.8-523	317.6-322.65

Silver fix	p/fine oz	US cts equiv
Spot	330.60	536.00
3 months	342.15	548.40
6 months	353.80	558.95
12 months	375.70	582.45

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Sep	Nov	Sep	Nov
1700	109	108	27	45
1800	53	69	69	00
1900	21	28	135	159
Copper (Grade A)	**Calls**		**Puts**	
2250	156	150	54	67
2350	101	102	97	138
2450	61	66	155	197

LONDON FOX TRADED OPTIONS

Coffee	Sep	Nov	Sep	Nov
850	61	147	46	118
900	39	125	74	143
950	23	107	108	175
Cocoa	**Sep**	**Dec**	**Sep**	**Dec**
800	40	98	15	22
850	16	67	41	41
900	5	43	80	67

US MARKETS

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Jul	386.4	386.0	385.8	385.6
Aug	388.6	388.4	390.3	385.9
Sep	390.0	390.6	0	0
Oct	392.8	392.6	394.3	391.2
Dec	397.1	396.7	398.8	395.4
Feb	401.4	400.9	402.1	400.1
Apr	405.7	405.1	407.5	406.5
Jun	410.0	409.3	410.1	410.1
Aug	414.2	413.5	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jul	515.2	511.9	517.0	510.5
Oct	520.5	517.0	524.0	518.0
Jan	522.2	518.5	525.0	518.7
Apr	525.7	522.0	529.0	522.0
Jul	529.4	525.7	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Jul	537.7	539.3	538.0	533.5
Aug	541.2	542.8	0	0
Sep	545.7	547.5	548.5	540.5
Dec	558.5	560.2	559.5	553.5
Jan	561.9	563.6	0	0
Mar	570.0	571.6	571.0	568.5
May	578.2	579.0	578.5	575.0
Jul	586.8	588.6	587.0	584.0
Sep	595.4	597.1	0	0
Dec	607.5	609.2	0	0

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	99.60	102.10	102.30	99.30
Aug	99.20	101.30	0	0
Sep	98.00	100.00	101.40	98.60
Dec	97.70	99.30	99.70	97.80

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Aug	20.28	20.79	21.05	20.24
Sep	10.34	19.89	20.08	10.30
Oct	18.77	19.27	19.44	18.77
Nov	18.45	18.86	18.99	18.46
Dec	18.17	18.57	18.70	18.17
Jan	18.10	18.36	18.50	18.10
Feb	17.95	18.20	18.38	17.95
Mar	18.18	18.07	18.18	18.18
Apr	17.92	17.95	17.92	17.92
May	17.84	17.86	18.00	17.84

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Aug	4985	5106	5150	4960
Sep	5025	5132	5190	5020
Oct	5105	5197	5250	5120
Nov	5190	5262	5305	5180
Jan	5265	5342	5370	5255
Feb	5202	5262	5261	5190
Mar	4960	5057	5120	4960

INDICES

REUTERS (Base: September 18 1931 = 100)

July 5	July 4	mnth ago	yr ago
1995.5	1993.4	1983.1	1994.4

DOW JONES (Base: Dec. 31 1974 = 100)

Spot	132.95	132.92	131.29	138.95
Futures	132.03	130.61	131.75	142.36

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Jul	1210	1220	1212	1205
Sep	1228	1243	1243	1216
Dec	1267	1262	1280	1252
Mar	1284	1296	1290	1275
May	1294	1304	1300	1290
Jul	1313	1313	0	0
Sep	1333	1339	1320	1320

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Jul	98.36	100.00	98.00	92.75
Sep	93.37	97.82	98.25	92.60
Dec	95.73	99.54	100.50	95.25
Mar	98.77	101.28	102.00	98.00
May	100.11	103.00	104.00	0
Jul	102.51	104.00	105.00	102.00
Sep	103.01	104.25	0	0
Dec	105.50	102.50	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	13.12	13.46	14.20	13.02
Jan	12.15	12.39	12.30	12.00
Mar	12.48	12.88	13.52	12.45
May	12.45	12.95	13.45	12.45
Jul	12.35	12.77	12.80	12.30
Oct	11.98	12.48	12.25	11.98

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Jul	67.80	68.40	68.40	67.75
Oct	70.78	71.50	71.45	70.00
Dec	71.20	71.89	71.85	71.00
Mar	71.87	72.45	72.60	71.84
May	72.50	73.05	73.18	72.00
Jul	73.40	73.25	73.20	73.20
Oct	68.60	69.14	68.80	68.60

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	179.75	179.75	180.50	178.00
Sep	171.35	171.80	172.00	168.00
Nov	157.40	156.50	157.45	154.50
Jan	153.00	154.00	153.90	152.00
Mar	153.50	153.40	153.50	153.00
May	152.90	152.80	0	0
Jul	153.00	152.80	0	0
Sep	152.90	152.80	0	0

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jul	765/0	776/4	779/0	763/0
Aug	734/4	744/4	750/0	734/0
Sep	707/4	715/4	723/0	708/0
Nov	695/0	702/0	712/0	694/0
Jan	704/0	708/6	719/4	703/0
Mar	711/0	717/0	724/0	711/0
May	716/0	721/4	730/0	715/4
Jul	715/4	720/4	731/0	715/4

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	21.42	21.89	21.82	21.35
Aug	21.54	22.03	22.02	21.52
Sep	21.71	22.31	22.27	21.67
Oct	22.01	22.52	22.50	22.00
Dec	22.40	22.90	22.90	22.35
Jan	22.52	23.00	23.05	22.50
Mar	22.80	23.30	23.40	22.80
May	22.95	23.40	23.50	22.95

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Jul	226.0	229.7	230.5	225.0
Aug	219.7	222.6	225.5	219.0
Sep	215.2	217.7	220.5	215.0
Oct	211.7	214.0	217.5	211.5
Dec	209.7	212.2	215.2	209.6
Jan	208.2	210.0	215.0	208.0
Mar	207.2	210.2	214.0	207.0
May	207.0	208.2	214.5	207.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Jul	276/6	283/6	284/2	276/6
Sep	271/2	272/6	277/6	270/4
Dec	269/4	271/4	278/0	268/4
Mar	277/2	277/6	283/4	276/0
May	278/0	279/0	285/2	276/0
Jul	278/0	276/0	286/0	276/0
Sep	256/4	266/0	271/0	258/0
Dec	250/0	256/0	263/4	250/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Jul	405/0	404/0	409/4	402/0
Sep	409/4	411/4	413/6	406/6
Dec	420/6	423/6	424/0	420/4
Mar	421/0	425/4	425/0	420/4
May	409/0	411/4	411/0	407/0
Jul	373/0	375/0	375/0	371/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Aug	70.40	70.60	70.85	70.25
Sep	71.50	71.25	71.80	8
Oct	73.62	73.72	73.92	73.45
Dec	73.30	73.20	73.65	72.85
Feb	72.20	72.22	72.00	71.87
Apr	73.05	73.02	75.40	72.90
Jun	71.90	71.85	72.15	71.62
Aug	70.70	70.70	0	0

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Jul	46.77	47.15	47.20	46.57
Aug	44.20	44.42	44.65	44.05
Oct	40.12	40.62	40.85	39.72
Dec	42.50	43.15	43.45	42.35
Feb	44.42	44.97	45.20	44.30
Apr	42.12	42.60	42.80	42.07
Jun	47.35	47.62	47.45	47.00
Jul	47.97	48.50	0	47.80

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	30.47	31.85	31.25	30.40
Aug	30.32	31.45	30.70	29.75
Feb	45.75	47.75	46.20	46.75
Mar	45.37	47.17	46.10	45.30
Jul	47.40	46.00	47.90	47.30
Aug	46.02	47.00	46.70	46.00

صكذا من الاصل

LONDON STOCK EXCHANGE

Early rally in equities not sustained

A BATCH of special features provided the impetus for an early rally in the UK stock market yesterday but by the end of the session, weakness in the dollar stocks had dragged the sector back into negative territory. Once again, turnover was disappointing and the final picture was a ragged one.

The two-way pull in the marketplace was reflected in sharply contrasting trends among the blue chip leaders. ICI, Beecham and Glaxo were all down, as traders grappled with the erratic trading of earlier this week. But the Racal stocks staged a partial recovery after more than a week of setbacks since the UK Government disclosed plans to increase competition in the mobile phone business.

Account Dealing Dates			
*First Dealings:	Jun 19	Jul 3	Jul 17
Option Declarations:	Jun 29	Jul 13	Jul 27
Last Dealings:	Jun 30	Jul 14	Jul 28
Account Day:	Jul 10	Jul 24	Aug 7

*New time dealings may take place from 9.00 am two business days earlier.

An early gain in equities in part reflected the general return to work by City traders and fund managers, many of whom had stayed away on Wednesday when London and the rest of the UK grappled with a strike of railway workers.

The picture was complicated by a very large share trade between broking houses involving a low-priced, little-known stock in the market's gamma sector – as shares in lightly-traded companies are classified. Since details of gamma trades are not disclosed until the following day, the market saw only a leap in the gamma stock trading total from 69.3m shares at 8.00am to 142m at 9.00am. Such was the surprise that the market authorities took the unusual step of confirming the figures.

Of greater interest was the activity in television stocks as it emerged that Carlton Communications, the fastest-growing group in the sector, was discussing bids with Thames Television. The food sector, which has been an area of rich takeover pickings over the past twelve months, was also in the limelight again on market hints that the consortium headed by Sir James Goldsmith might choose Ranks Hovis McDougall for the major acquisition that it is known to be seeking.

The market put on nearly 15 FT-SE points, with turnover helped along by these speculative situations. However, the advance ran out of support as the major funds kept their heads down ahead of the opening of the Wall Street market. When New York came in easier, London cooled off quickly, and was struggling to hold overnight levels at the end of the day.

The final reading saw the FT-SE Index at 2,161.2, a net fall on the day of 1.7 points. Turnover advanced smartly, boosted by the selected speculative features, bringing a Seaq volume of 516.4m shares, compared with 347.4m in Wednesday's curtailed session and 373.2m on Tuesday.

There was a modest gain in Consolidated Gold Fields, but turnover was light.

Goldman champions Racal

A strong recovery developed in the two Racal stocks, Telecom, and Electronics, which found buyers again from both sides of the Atlantic. The shares have been mauled recently in the wake of the UK Government's proposals for increasing competition in mobile telephones, and by plans at McCaw, the US cellular group, to consider reducing the terms of its offer for LIN Broadcasting in the US.

The most significant impetus for the buying was another positive circular from Goldman Sachs, the US securities house which has long championed prospects for the Racal twins.

Mr Barry A. Kaplan of Goldman's New York office, said the weakness is, "an outstanding buying opportunity in the stocks." On suggestions that Racal will be excluded from new consortia bidding for mobile communications licenses, "there is nothing that precludes Racal and Cellnet (British Telecom's mobile phone subsidiary) from offering the personal communicator service under the terms of their current licences," he said.

Additionally, a leading UK securities houses was said to have been buying the Racal stocks on the view that they had been oversold and would respond quickly to a series of presentations to UK and and US institutions which have been arranged over the next ten days.

Racal Electronics shares raced up 20 to 434p, after 436p, on turnover of 8.1m while those of Racal Telecom jumped 18 to 391p, after 394p, on 11m.

Thames TV in talks

Shares in the bigger television companies were set alight by the revelation that Thames TV was in talks that might lead to an offer from Carlton Communications. A statement from Carlton saying that the talks were "informal" and the publicity "premature" was taken by the market as confirmation of its intentions.

"Carlton doesn't want the share price running away before clinching the deal," explained one analyst. The price closed at 493p, the highest of the day and a net rise of 29. Carlton slipped 2 to 811p, well above the day's low of 799p.

"Carlton has 2 choices ahead of the allocation of TV franchise in 1993: try to win one itself or to buy a company likely to win one," said Ms Bronwen Maddox, analyst with Kleinwort Benson. The advantages of the latter course, if Thames were the target, include Thames' library of programmes and control over sections of the ITV schedule. Ms Maddox gave Thames a worst case value of £200m – based on failing to get a franchise in 1993.

Mr Nigel Reed, at Kitcat & Aitken, said Carlton might in practice have to pay up to £300m for control, equivalent to around £6 a share. He pointed out that a bid is not allowed until next year.

RHM tempts

Investors were tempted by press suggestions that Ranks Hovis Macdougall was about to be subject to a bid from Sunningdale, a vehicle run by Sir James Goldsmith and Mr Jacob Rothschild, the financiers. The stock climbed steadily through the day to close 24 ahead at 481p on volume of 3.1m shares, and the excitement benefited other strongly branded food stocks.

One analyst emphasised that a bid was not the only option available to Sunningdale, which has a 29.9 per cent stake in RHM. "Their camp is split," he said, "between those who want to make an all-out bid and those who just want to make money on the turn."

Mr Michael Landymore, foods analyst at Henderson Crosthwaite agreed, saying that any attempt at a takeover would be hard to pull off, "RHM's top management are tough fighters," he said.

Dealers spoke of a possible 550p take-out price, but Mr Landymore said that Sunningdale, and Sir James in particular, would be happy to sell the stake at £5 a share, having bought it for around £4. RHM is alert enough to be wary of any attempt to draw out a white knight, said Mr Landymore, "so we could have a Mexican stand-off."

Potential predators are striking at the property sector, arousing intense buying activity and speculation over the next company to fall victim. Imry Merchant yesterday became the second concern within forty eight hours to receive a bid approach and, as in the case of Arlington Securities on Tuesday, the source of the approach was not named. Once again a veil of secrecy seemed to descend over the market with seasoned traders searching in vain for clues.

Imry has long been thought a prime target for predatory action but the news yesterday still sent the shares rocketing 46 higher to 580p. Analysts have suggested that the property market focus could well shift back to the more entrepreneurial companies capable of showing above average growth, of which Imry is one. The approach also triggered speculative enthusiasm for stocks in the developer/trader category and many scored outstanding gains.

Two days of squeezes in Beecham were reversed, and a gilt pushed the stock 16 lower to 652 on turnover of 2.8m shares. "The stock is trading in a new and higher range of 580p to 650p," said a dealer.

An agency broker was said to have offered a line of 1m ICI stock early in the day and dealers took fright, marking the price down sharply. ICI closed 23 off at 1222p.

The clearing banks moved lower with the exception of Royal Bank of Scotland which pushed up 6 to 386p after the banks team at Citicorp Scrimgeour Vickers highlighted the possibility of a takeover bid.

Lloyds were upset by talk that one securities house had lowered its dividend forecast for the bank; at the close Lloyds were 5 down at 329p on turnover of 3.8m, easily the biggest activity in the sector.

Sun Life shares burst through the £11 barrier, closing 10 firmer at a year's best of 1103p as UAP, the French insurance confirmed market suspicions that it had been increasing its stake in the UK life assurer. UAP said it had upped its holding by 750,000 shares, or 1.26 per cent, to 13.18m shares, or 22.2 per cent. But dealers were quick to point out the possibility that Sun could well take the opportunity of a strong share price to launch a rights issue. In its latest Financials Monthly, Hoare Govett, says "joint European ventures are near fruition but such plans are likely to require additional capital at some stage."

In the meantime, Hoare adds, maintenance of the interim dividend remains under pressure; the recent rise in the share price provides an opportunity to sell.

Beazer were outstanding in the building sector with the shares rising 5 to 181p on turnover of 1.7m; Swiss Bank Stockbroking were said to have been good buyers of the stock after issuing a strong buy note on the shares.

Body Shop was the star performer in the retail sector. The shares soared 51 more to a year's peak of 792p – a gain of 77p over the week. Dealers said the stock had surged for a number of reasons: a stock shortage, a recent strong buy note from County NatWest and also ahead of the one-for-one share split expected to take place in early September.

British Telecom attracted good interest and closed marginally firmer at 253p on trade of 12m shares. GEC were a couple of pence ahead at 264p on turnover of 5.3m and Plessey slightly harder at 258p on 1.6m awaiting the next moves in the long drawn out and complicated bid battle.

Amstrad hit a bout of selling pressure just before the close with the shares closing a net 5 off at 79p, after 77p, with a single trade of 1.2m appearing on the Seaq ticker.

Electrical goods retailer Bennett & Fountain jumped 8½ more to 105p.

A series of presentations from Argyll since last month's results helped the shares add 7 at 219p. Mr John Woolman, analyst at Citicorp Scrimgeour Vickers, said that the programme of conversions of Presto supermarkets to Safeway is now reaping benefits instead of costs.

Unigate climbed 6 to 382p as Hoare Govett pushed the company in a internal note. It said that the poultry business had started a cyclical upturn that was more than just a bounce from contamination scares earlier this year. Poultry prices are firming said Hoare and the stock "is one of our favourites as a bid play without much premium in the price."

Continuing vague stories that Swiss confectioner Jacobs Suchard was considering a move on United Biscuits contributed to the latter's rise of 8 to 381p. Both it and Cadbury Schweppes, 9 better at 373p, benefited from the bid speculation over RHM.

A one for 11 rights issue at 30p a share from Aberfoyle Holdings was sweetened by a 50 per cent improvement in full year pretax profits. The shares added 2¼ at 47½p.

Speculation that Minorco might bid for Charter Consolidated boosted the latter 19 to 579p. Johnson Matthey, in which Charter has a 38 per cent stake, put on 7 to 417p.

Owners Abroad revealed worsening interim pretax profits of £7.8m against £5.9m. The stock weakened 2 to 78p. Really Useful Group, run by Mr Andrew Lloyd Webber, jumped 25 to 660p on news that Mr Brian Brolly, the company's former MD was offering his stake for sale to a single buyer. The operation is being handled by Swiss Bank Corporation, which said that offers were invited for the entire holding at a premium." The deadline for offers is July 26.

The excitement over the possible takeover of Thames TV excited other TV major. Anglia closed 10 ahead at 288p, Central added 11 at 788p and LWT closed at 194p, a net gain of 11¼.

Record profits of £8.76m, compared with £3.7m, failed to sustain the shares of FKB which back 6 to 324p.

Of the other strong property features, Arlington Securities rose 6 to 279p, Town Centre gained 6 to 111p and Capital & Counties advanced 17 to 370p. Whispers grew louder of London Securities (57p) being ready to takeover Clarke Nickolls & Coombs, up 31 at 248p. But the market showed its disappointment with profits well short of expectations from Baker Harris Saunders and lowered the shares 27 to 170p.

MAI, the financial services and marketing combine, surged forward on substantial demand from the UK and Switzerland, with the market expecting imminent news of fresh major expansion in Europe. Speculation was that the move would most probably involve Havas Media Region of France which has links with MAI by way of cross holdings between their respective subsidiaries Avenir and Mills & Allen, MAI's advertising billboards operation. During trade of 8m shares, MAI shares touched 109p bid before closing 6½ up on balance at 107½p.

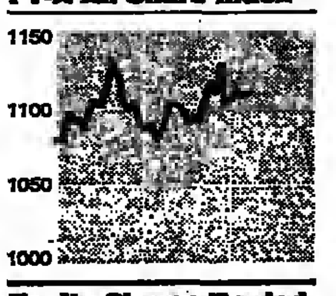
The oil sector continued to underperform the wider market as Mr Fergus McLeod, oil analyst at BZW, the securities house cut his profits estimates for BP and Shell and recommended a switch from Shell to BP. Mr MacLeod says "there are signs of a downturn over the past month in the profitability of the downstream segments of the oil majors, both refining and chemicals." He adds that "prices of petrochemicals have plunged since late in the second quarter and refining margins have fallen 50 per cent in Europe and the US."

The BZW estimate for Shell in 1989 has been cut from £3.825bn to £3.675bn and for 1990 from £3.676bn to £3.36bn. For BP in 1989 BZW is forecasting £1.38bn, against £1.44bn, and for 1990 is going for £1.475bn compared with the previous £1.575bn.

BP shares were 2 off at 293p on 5.7m turnover and Shell the same amount off at 414p on 5.6m.

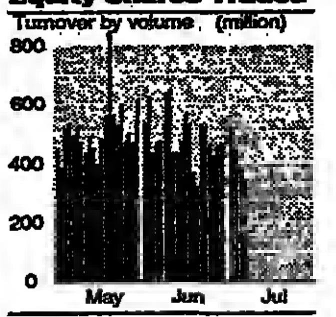
■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 28

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)



NEW HIGHS AND LOWS FOR 1989

NEW HIGHS (82).
BRITISH FUNDS (3) BREWERS (1) Burtonwood Brewery, BUILDINGS (4) Anglo Utd., Conder Grp., Jackson Grp., Tilbury Grp., CHEMICALS (2) Canning (W.), Coalite Grp., STORES (4) Amber Day, Body Shop Int'l., Fine Art Devs., Ratners Cv. Pf., ELECTRICALS (3) ENGINEERING (6) Adwest Grp., Cook (Wm.), Edbro, Johnson & Firth, Tex, Thornton (G.W.), FOODS (8) Benson Crisp, RHM, Tate & Lyle, United Biscuits, Do. Wrnts '91, INDUSTRIALS (16) Barrett (Henry), Barry Wehmiller, Brit. Syphon, Charter Cons., Eastern Prod., Halma, Johnson Matthey, Oriflame, Pentland, Rank Org., Ropner, Stocklake, Unilever, Whatman Reeve, Wyko Grp., INSURANCE (3) Allianz AG, Sun Life, LEISURE (2) Central ITV, Thames TV, PAPERS (2) PROPERTY (7) TEXTILES (1) Hicking Pentecost, TRUSTS (11) OILS (4) Great Western Res. Class "A", KCA Drilling, Kingston oil & Gas, Mid. & Scot. Res., MINES (12) THIRD MARKET (3).
NEW LOWS (41).
AMERICANS (1) CANADIANS (3) ELECTRICALS (5) Hewlett-Packard, Newmark (Louis), Pressac, Star Comp., Wholesale Fittings, ENGINEERING (3) Carlco Eng., Cooper (Fr.), Lee (A.), FOODS (1) INDUSTRIALS (13) C'bell & Armstrong, Charterhall, Chestergate Grp., Cornwell Parker "A", Creighton Labs., Elbief, Low & Bonar, Linost Grp., Mid Kent, Noble & Lund, Optical & Med. Int'l., Pergamon, Westmex, PAPERS (1) PROPERTY (4) TEXTILES (2) Palma Grp., SEET, TRUSTS (3) OILS (2) MINES (4).

FINANCIAL TIMES STOCK INDICES

	Jul 6	Jul 5	Jul 4	Jul 3	Jun 30	Year Ago	1989 High	1989 Low	Since Compilation High	Since Compilation Low
Government Secs	85.47	85.72	85.74	85.47	85.01	88.02	89.29 (8/2)	83.75 (14/6)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	96.54	96.52	96.82	96.33	96.27	97.11	98.59 (15/3)	95.21 (13/6)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1794.7	1798.0*	1800.3	1791.9	1784.5	1484.2	1837.5 (19/5)	1447.8 (3/1)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	203.7	199.1	196.5	195.2	198.4	218.5	203.7 (6/7)	154.7 (17/2)	734.7 (15/2/83)	43.5 (26/10/71)

	Jul 6	Jul 5	Jul 4	Jul 3	Jun 30	Year Ago
Ord. Dl. Yield	4.49	4.47	4.46	4.48	4.50	4.53
Earning Yld %(full)	10.56	10.52	10.49	10.53	10.57	11.48
P/E Ratio(Net)(☆)	11.42	11.47	11.50	11.46	11.41	10.60
SEAQ Bargains(5pm)	21,882	19,615	22,879	25,078	27,760	25,338
Equity Turnover(£m)†	-	968.05	1119.90	1115.86	1349.05	1445.07
Equity Bargains†	-	22,880	26,145	28,677	31,514	26,834
Shares Traded (ml)†	-	348.9	383.0	435.1	512.2	474.2

Ordinary Share Index, Hourly changes

● Opening	● 10 a.m.	● 11 a.m.	● 12 p.m.	● 1 p.m.	● 2 p.m.	● 3 p.m.	● 4 p.m.
1804.0	1801.9	1800.3	1803.0	1802.6	1802.5	1799.7	1797.5

DAY'S HIGH 1804.7 DAY'S LOW 1793.8

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974. ☆Nil 11.31 †Excluding intra-market business. *Based on 4.06pm prices

● S.E. ACTIVITY

Indices	Jul 5	Jul 4
Gilt Edged Bargains	68.6	91.6
Equity Bargains	146.3	169.4
Equity Value	1932.4	2361.6
5 – Day average		
Gilt Edged Bargains	86.7	94.3
Equity Bargains	178.4	186.4
Equity Value	2437.1	2562.5

● London Report and latest Share Index: Tel. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
ASDA Group	2,300	178½	+½	[illegible]	886	334½	-4½	Laporte	29	437	-1	Royal Bk of Scotland	582	386	+6
Allied-Lyons	1,900	459		[illegible]	429	355	+1	Legal & General	441	313	-1	Royal Insurance	397	389	-1
Amstrad	3,100	79	-5	[illegible]	452	372	+7	Lloyds Bank	3,800	329	-5	STC	2,300	359	[illegible]
Argyll Group	3,100	219	+7	[illegible]	9,300	136	-3	LASMO	1,730	486	-6	[illegible]	1,400	111	[illegible]
Ass. Brit. Foods	491	349	+7	[illegible]	427	434		Lonrho	662	276	+1	Sainsbury	1,210	[illegible]	[illegible]
BAA	886	346	+1½	[illegible]	223	588	+1	Lucas	636	630		Scot & Newcastle	[illegible]	345	[illegible]
BAT Inds.	5,150	657	[illegible]	[illegible]	351	124	-1	MB Group	1,800	185	-1	Sears	[illegible]	[illegible]	[illegible]
BET	1,800	283	+1	[illegible]	648	394	-3	[illegible]	521	564	[illegible]	Shell Transport	[illegible]	414	-2
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
British Airways	224	[illegible]	[illegible]	Guinness	445	[illegible]	[illegible]	[illegible]	1,500	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
British Gas	9,700	193	-1½	Hammerson 'A'	229	776	-10	Prudential	3,730	179	+2	Tesco	1,730	[illegible]	[illegible]
British Land	1,000	362	+4	Hanson	3,800	217½	+½	Racal	3,130	483	+24	Thorn EMI	1,300	[illegible]	-1
BP	5,700	293	-2	Harrisons & Cros.	302	[illegible]	-1	RMC	419	799	-1	Trafalgar House	1,400	[illegible]	[illegible]
British Steel	7,795	73		Hawker Siddeley	377	785	-1	RTZ	1,530	490	-3	Trusthouse Forte	537	[illegible]	
British Telecom	11,250	253	+2	Hillsdown Hldgs	2,530	273		Racal [illegible]	9,100	434	+20	Unigate	679	[illegible]	[illegible]
Burmah Oil	560	617	-5	IMI	313	230	+1	[illegible]	180	1033	+2	Unilever	1,000	[illegible]	[illegible]
Burton	1,500	227	-2	Imp. Chem.	2,300	1222	-23	Sears & [illegible]	236	1103	+6	United Biscuits	5,100	381	+8
Cable & Wireless	1,800	499	+2	Inchcape	75	[illegible]	-1	Redland	413	580	-6	Utd Newspapers	231	431	+1
Cadbury Schweppes	1,080	373	+9	Jaguar	792	346	-2	Reed International	816	411	+3	Wellcome	3,000	442	
Carlton Comms.	466	811	-2	Kingfisher	353	309	-2	Reuters	934	758	-9	Whitbread 'A'	996	349½	-1½
Commercial Union	275	381	-2	Ladbroke	1,060	358	-3	Rolls-Royce	2,230	195	+1½	Williams Hldgs.	1,230	[illegible]	+2
Cons. Gold Fields	759	1473	+8	Land Securities	927	564	+2	Rothmans	774	571	+6	Wimpey	53	255	

APPOINTMENTS

President of SBAC

■ Mr Ron Howard, managing director, GEC Avionics, has been elected president of THE SOCIETY OF BRITISH AEROSPACE COMPANIES, succeeding Mr Ivan Yates, deputy chief executive (engineering), British Aerospace, who becomes deputy president. Mr Sidney Gillibrand, chairman, British Aerospace (Commercial Aircraft), was elected vice president. Mr Clive Hunting, chairman of the Hunting Group, continues as treasurer.

■ Mr John Stalker, formerly deputy chief constable of Greater Manchester, has been appointed a director of AMBASSADOR SECURITY GROUP. This is his first board post.

■ Mr Jo Rose has been appointed financial and administration director of WEDDEL SWIFT, Liverpool. He joins from Union Traffic, and succeeds Mr John Lyestt who has moved to a senior management post at Weddel International, London.

■ FRICTEC has appointed Mr Roger Harrop as group managing director. He was group managing director, DCE Group, part of BTR.

■ CRESTA HOLDINGS, Isle of Man, has appointed Mr Bill Alexander to its board with special responsibility for CrestaCare.

■ Mr Graham Cooper has been appointed managing director of BIS MACKINTOSH, Luton. Mr Lawrence Hutter becomes sales and marketing director.

■ Mr Peter Newington has been appointed managing director of ANCASTA BOAT SALES. He was managing director of Tjaereborg in the Canary Islands.

■ Mr John Moore has been appointed director of European operations, SHERPA CORPORATION, Bracknell. He was international vice president for marketing at Teamco Systems Innovation Europe.

■ Mr Graham F. Crocock has been appointed financial director of DAVY MORRIS, principal company of Davy Corporation's mechanical handling division, Loughborough.

■ THE YORK WATERWORKS COMPANY has promoted Mr Graham Wilford, general manager, to the board.

■ Mr Michael Dowdall has been appointed a main board director of the NFU MUTUAL. He is a director of Unilever, and has been chairman of BOCM Silcock and Midland Poultry Holdings.

■ MCKECHNIE has appointed Mr Lionel Stammers as a non-executive director. He is a non-executive director of BTR.

■ Mr Geoffrey P. Rees has been appointed world-wide sales and marketing director at PERCELL GROUP. He was general manager for ICL in Australia.

■ Mr Keith Milne has been appointed managing director of CORPORATE RESOURCE CONTROL, Edinburgh, and Mr Michael Coyle becomes an executive director.

■ ALLIED LONDON PROPERTIES has appointed Mr Melvyn Ansher as group managing director. He was chief executive of Berisford Property Group, and on the main board of Berisford International.

■ Mr Max Myles has been elected president of the STONE FEDERATION.

■ UNIBIT HOLDINGS, Bradford, has appointed Mr Emyr Hughes as a non-executive director. He is a director of Kleinwort Benson Development Capital.

■ Mr Kenneth J. Greig has been appointed legal director of TEMPLETON INVESTMENT MANAGEMENT and Templeton Unit Trust Managers, Edinburgh. He also becomes company secretary to both companies.

■ Mr Norman H. Davis has been appointed a non-executive director of APOLLO WATCH PRODUCTS. He was a director of Yale and Valor.

Mr Alan Harding *(above)* has been appointed company treasurer of 3M UNITED KINGDOM. He was group controller of two divisions.

■ Mr John Knox has been appointed a director of REA BROTHERS, and has joined the corporate finance department.

■ GEC CARD TECHNOLOGY has appointed Dr John Baker as managing director. He was manufacturing manager with Texas Instruments, Bedford.

■ MARLING INDUSTRIES has appointed Mr Malcolm Samuels as finance director. He joins from the group's auditors, Hacker Young, and takes over from Mr Paul Wiseman who remains managing director.

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AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income						
American Income	6	53.11	53.74	57.10	-0.73	4.79
Gilts & Fixed Int	6	110.2	110.2	116.8	-0.1	8.55
High Inc Equity	6	132.80	135.6xd	144.1	+0.1	4.40
Worldwide Bond	6	201.5	201.5	213.5	-2.6	4.54
Capital Growth						
American Growth	6	179.9	181.9	193.6	-2.3	0.92
Asian Pacific	6	96.54	98.41	104.70	-0.4	1.24
Assets & Earnings	6	159.6	163.0	173.5	....	2.13
Capital Reserve Acc	0	85.69	85.69	85.74	....	4.67
Comdty & Energy	6	100.6	103.7	110.4	....	1.72
1992 Enterprise	6	57.93	59.06xd	62.83	-0.11	2.86
European Capital	6	87.40	88.10	93.73	-0.58	0.00
General	6	179.1	182.2	193.9	+0.1	2.32
International	6	46.12	46.45	49.42	+0.2	1.01
Japan	6	108.9	110.6	117.7	-0.5	0.00
Mastertrust	6	85.53	86.97xd	92.53	-0.4	1.64
UK Growth Acc	6	201.80	209.9	223.4	+0.1	1.25
UK Growth Dist	6	134.7	140.1	149.1	+0.2	1.88
US Emerging Cos	6	51.05	53.54	56.96	-0.55	0.00
Income & Growth	6	298.7	304.0	324.3	-0.2	3.16
Ethical	6	48.85	50.01xd	53.21	+0.00	1.88

Abtrust Management Ltd (1000)H
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Amer Inc & Growth	5	50.47	30.47	22.53	-0.30	3.41
European	5¼	66.16	66.27	70.74	-0.39	0.00
European Income	5¼	64.76	64.76xd	69.13	-0.49	3.00

[illegible]

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♣ - 1401 to 1700 hours; ♠ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from fund managers.
Other explanatory notes contained in last column of the FT Unit Trust Information pages.

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	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Grs
Windsor Trust Mngrs Ltd (1200)F						
83 Kingsway, London, WC2B 6SD					01-405 8331	
Capital & Equity	5	62.90	65.83	70.82	-0.16	5.79
European	5	68.06	68.53	72.90	-0.45	0.09
Far Eastern	5	60.49	60.63xd	64.50	-0.10	0.66
Growth Inc	5	89.38	92.75	98.66	-0.36	1.40
Growth Acc	5	89.38	92.75	98.66	+0.36	1.40
Income Int	5	83.42	85.37	90.81	-0.14	4.70
Income Acc	5	83.42	85.37	90.81	-0.14	4.70
Property Share	5	54.76	54.76	58.37	-0.06	0.99
Smaller Co's	5	59.18	62.36	66.33	+0.35	1.44
Nth American	5	61.05	61.05xd	65.29	-0.96	1.63
International	5	47.34	47.34xd	50.63	-0.34	1.45
Wright Seligman Fund Mngrs Ltd (1000)H						
11 Blomfield St, London EC2M 7AY					01-588 0592	
Growth	5	108.79	108.79xd	113.79		4.18
Weekly dealing day Tuesday						
The Yorkshire Unit Tst Mngrs Ltd (1100)F						
Woodsome Pk, Fenay Bdge, Huddersfield					0484 602250	
Yorkshire General	5¼	65.69	66.21xd	70.44	-0.38	2.58
YUTM UK Eqty Inc Tst	5¼	60.45	62.58	66.57		+0.4 4.52
YUTM Intl Gwth Tst 4	5¼	50.28	50.28	53.66	-0.38	1.02

OTHER UK UNIT TRUSTS

	Bid Price	Offer Price	+ or -	Yield Grs
Baillie Gifford & Co Ltd				
Int'l Expt June 7	1485.3	503.81		-
Cent. Bd. of Fin. of Church of England‡‡				
2 Fore Street, London EC2Y 5AQ			01-588 1815	
Inv Fund June 30		518.35		4.73
Fxd Int Sec June 30		138.65		10.31
Deposit June 30		100.00		13.05
Charinco/Charishare‡‡ (1000)F				
33 King William Street, EC4R 9AS			01-280 2000	
C'inco Inc June 28	163.2	167.3xd	+1.20	9.90
C'inco Acc June 28	669.6	686.6xd	+0.10	9.90
C'share Inc June 28	152.9	158.6xd	+3.18	3.74
C'share Acc June 28	168.0	374.3xd	+3.70	3.74
Charities Official Invest. Fund‡‡				
2 Fore Street, London EC2Y 5AQ			01-588 1815	
Income June 30		493.06		5.01
Accum June 30		1644.04		-
Edinburgh Fund Mngrs PLC				
Exempt Funds				
American July 5	142.5	146.4	-6.9	1.55
Managed July 5	135.4	140.3		2.05
Japan July 6	141.8	145.7	+2.3	0.14
Pacific July 7	441.7	453.8	-2.1	0.22
Sm Jap Cos July 7	279.8	287.3	+4.5	0.10
Fidelity Investment Services Ltd				
Mngd Pens P'folio	1129.1	128.6	-0.101	1.27
Robert Fleming Asset Mngmt Ltd				
Am Exempt July 4	[illegible]	[illegible]		[illegible]

[illegible]

	Bid Price	Offer Price	+ or -	Yield Gross
Albany Life Assurance Co Ltd—Contd.				
Pac Basin Fd Acc(z)	167.3	176.1	-0.9	-
Property(z)	569.6	599.5	+1.2	-
Mple Inv Pens Acc(z)	1443.5	1519.4	-4.2	-
Broker Funds				
Prof. Pen Fd	97.2	102.2	+0.2	-
YRA Strategy	118.6	124.8	-0.1	-
Laughton Dollar (SE)	139.3	146.6		-
Allied Dunbar Assurance Plc				
Allied Dunbar Ctr, Swindon SN1 1EL			0793 514514	
Fixed Int. Dep. Acc.	262.0	275.8		-
Equity Acc.	856.3	901.6	-0.2	-
Property Acc.	501.7	528.2	-0.1	-
Far East Acc.	201.9	212.6	-1.1	-
European Acc.	23.3	24.6	-0.3	-
Managed Acc.	675.7	711.3	-2.2	-
Managed Cap.	382.9	403.1	-1.3	-
O'seas Earnings Acc.	570.7	600.8	-0.7	-
Gilt Edged Acc.	312.5	329.0	+0.1	-
American Equity Acc.	454.5	478.5	-2.7	-
American Man. Acc.	210.8	222.4	-1.5	-
American Prop Acc.	146.0	153.7	-1.6	-
Pen F.I. Dep Cap.	288.9	304.2	+0.1	-
Pen. F.I. Dep Acc.	496.0	522.2	+0.1	-
Pen. Prop. Cap.	587.4	618.4	-0.2	-
Pen. Prop. Acc.	1114.4	1173.1	-0.2	-
Pen. Man. Cap.	826.3	869.0	-1.6	-
Pen. Man. Acc.	1545.8	1648.3	-2.2	-
Pen Gilt Edg. Cap.	314.5	331.3	-0.1	-
Pen. Gilt Edg. Acc.	487.0	513.5	+0.2	-
Pen. Eq. Cap.	1354.8	1425.7	-2.6	-
Pen. Eq. Acc.	1945.3	2047.7	-3.5	-
Pen. Am. Eq Cap.	147.4	155.2	-1.5	-
Pen. Am. Eq Acc.	178.4	187.8	-1.9	-
Pen. Far East Cap.	242.7	255.5	-1.2	-
Pen. Far East Acc.	293.8	309.3	-1.5	-
Pen. Euro Cap.	27.1	28.6	-0.2	-
Pen. Euro. Acc.	29.6	31.2	-0.2	-
Pen. O.S. Acc.	544.2	571.5	+0.1	-
Pen. O.S. Cap.	325.4	342.2	+0.1	-
Pen. O.A.F. Acc.	381.0	381.0	+0.1	-
Pen. O.A.F. Cap.	256.1	256.3	+0.1	-
Pen. Mortgage Cap.	146.3	154.0		-
Pen. Mortgage Acc.	177.0	186.4		-
Baring Funds				
Pen Eqn Cap.	28.7	30.2		-
Pen Eqn Acc.	30.0	31.6		-
Pen Am Eq Cap.	32.1	33.8	-0.3	-
Pen Am Eq Acc.	33.5	35.3	-0.2	-
Pen Far East Cap.	31.7	33.4	-0.1	-
Pen Far East Acc.	33.1	34.9	-0.1	-
Pen Euro Cap.	37.1	39.1		-
Pen Euro Acc.	38.7	40.8	-0.1	-
James Capel Funds				
Pen Eqn Cap.	28.9	30.5	-0.1	-
Pen Eqn Acc.	30.2	31.8	-0.1	-
Pen Am Eq Cap.	31.1	32.8	-0.7	-
Pen Am Eq Acc.	32.4	34.2	-0.8	-

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INSURANCES

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Continued on next page

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Premium Life Assurance Co Ltd
37-39, Perrymount Road, Haywards Heath 0444 458721

	Bid Price	Offer Price	+ or -	Yield Gross
American	128.0	135.0	-1.0	-
Building Soc. Fd.	171.0	180.0	.....	-
Balanced	286.0	302.0	+1.0	-
European	178.0	188.0	-1.0	-
GT Managed	176.0	186.0	.....	-
Gartmore Mngd	117.0	124.0	.....	-
German	127.0	134.0	-1.0	-
Gilt	184.0	194.0	+2.0	-
Global	48.0	51.0	.....	-
High Inc.	122.0	129.0	.....	-
International Equity	196.0	207.0	-1.0	-
Japan	241.0	254.0	.....	-
Managed	63.0	67.0	.....	-
Property	283.0	298.0	.....	-
R. W. Imperial Gold	149.0	157.0	.....	-
UK Equity	365.0	385.0	+1.0	-
Pension Funds				
American	154.0	163.0	.....	-
Building Soc. Fd.	172.0	182.0	.....	-
Balanced	220.0	232.0	.....	-
European	179.0	189.0	.....	-
German	113.0	119.0	.....	-
Gilt	154.0	163.0	.....	-
International Equity	144.0	152.0	.....	-
Japan	138.0	146.0	.....	-
Managed	65.0	69.0	.....	-
Property	218.0	230.0	.....	-
UK Equity	330.0	348.0	.....	-

Prolific Life & Pensions Ltd
Stramongate, Kendall, Cumbria LA9 4BE 0539 33733
Managed Fund see Balanced Growth Managed Fund

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds				
Balanced Grth Mngd	593.5	625.4	-2.0	-
Adventurous Mngd	127.0	133.9	-0.3	-
Secure Mngd	108.5	114.4	-0.2	-
Cash Fd.	234.1	246.7	.....	-
Property Fund	287.4	305.8	.....	-
Equity Fund	667.6	703.5	-3.1	-
Fxd. Int. Fund	296.5	312.5	.....	-
International	298.3	317.4	-5.3	-
High Income	467.2	497.1	+0.5	-
Far East	407.1	433.1	(z)	-
North American	273.1	287.8	-0.6	-
Special Sits.	620.6	660.3	-0.5	-
Technology	245.2	260.9	-1.8	-
Extra Inc Fd.	285.8	304.1	-0.5	-

Prudential Holborn Pensions Ltd—Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
Communications	104.6	110.2	-0.9	-
Smaller Companies	109.3	115.1	+0.0	-
International Small Cos.	130.4	137.3	-0.9	-

Prudential Pensions Limited
Holborn Bars, London EC1N 2NH 01-405 9222

	Bid Price	Offer Price	+ or -	Yield Gross
Discretionary July 5	£157.45	165.06	-0.44	-
Equity July 5	£172.41	178.75	-0.62	-
International July 5	£26.38	27.22	-0.34	-
Intl Bond July 5	£12.65	12.82	-0.14	-
Fixed Int July 5	£72.34	73.30	+0.49	-
Index Linked July 5	£61.38	62.14	+0.71	-
Property July 5	£111.90	118.94	+0.3	-
Cash July 5	£21.0386	21.0386	+0.0542	-
Pru-Linked Retirement Plan				
Managed July 4	386.6	402.0	.....	-
Cash July 4	197.6	205.9	.....	-
Prudential Pensions Investment Account				
Pens Mngd July 6	155.1	166.8	-0.1	-
Pens UK Eq July 6	305.3	329.3	+0.3	-
Pens Intl July 6	183.5	197.5	-1.1	-
Pens Fixed July 6	165.6	174.9	-0.4	-
Pens Index Lk July 6	156.5	165.2	+0.2	-
Pens Cash July 6	129.0	135.9	.....	-

Regency Life Assurance Co Ltd
Regency Hse. Lanark Sq, London E14 9XS 01-538 8800

	Bid Price	Offer Price	+ or -	Yield Gross
Aggressive Ptflio Fd.	119.8	126.0	.....	-
Balanced Ptflio Fd.	313.8	330.3	-0.2	-
Cautious Ptflio Fd.	121.7	128.1	.....	-
Elite Fund	110.1	115.0	+0.1	-
European Fund	87.5	92.1	-0.3	-
Far East Fund	104.8	110.3	-0.3	-
Fixed Interest Fund	240.8	253.4	-0.1	-
International Fund	272.9	287.2	-1.2	-
Money Fund	177.4	186.7	.....	-
N. American Fd.	117.5	123.6	-0.7	-
Property Fund	411.1	434.8	+1.1	-
UK Equity Fd	382.8	402.9	.....	-
A & M. Brown Shipley Fd.	93.7	98.6	-0.3	-
Swan Select Inv.	110.3	116.1	-0.1	-
Chart Safety First Bd.	108.7	114.4	+0.1	-
Exec Master Fd.	98.1	103.3	-1.0	-
Hardwick Growth Fd	110.2	116.0	.....	-
Bentley Haig LR Port.	102.0	107.4	.....	-
Milbourne Spec Port.	115.0	121.1	-0.9	-
Swiss Global Fd	112.8	118.7	.....	-

OFFSHORE AND OVERSEAS

MANAGEMENT SERVICES

GUERNSEY (SIB RECOGNISED)

JERSEY (SIB RECOGNISED)

IoM (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

SWITZERLAND (SIB RECOGNISED)

GUERNSEY (**)

JERSEY (**)

صحفنا من الاصل

FT UNIT TRUST INFORMATION SERVICE

ISLE OF MAN (**)

LUXEMBOURG (**)

OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

BRITISH FUNDS—Contd

1989 High	1989 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
		Over Fifteen Years				
59¾	55⅛	Funding 3½pc '99-04	56¾xd	−⅛	6 [illegible]	8 65
102⅛	94¼	Conversion 9½pc 2004	97¾	−⅛	9 [illegible]	9 85
103⅛	94½	Conversion 9½pc 2005	97⅞	−⅛	9 [illegible]	9 82
111¼	102¼	Exch. 10½pc 2005	105⅝	−⅛	9 [illegible]	9 01
125⅜	115⅝	Treas. 12½pc 2003-05	118⅝	−⅛	10 [illegible]	10 02
90⅞	82⅞	Treas. 8pc 2002-06	85⅝	−⅛	9 [illegible]	9 72
105⅞	97⅛	Conversion 9¾pc 2006	100⅛	−⅛	9 [illegible]	9 73
118⅝	109	Treas. 11¾pc 2003-07	112⅛	−⅛	10 [illegible]	10 03
96	87⅞	Treas 8½pc 2007	91⅛xd	−⅛	9 [illegible]	9.55
134⅝	123⅝	Treas. 13½pc '04-08	127¼	−¼	10 [illegible]	9 94
101	92⅜	Treas. 9pc 2008	95	−⅛	9 [illegible]	9 51
92⅞	84⅛	Treas 8pc 2009	87⅛	−⅛	9 [illegible]	9 45
102⅜	93	Conv 9pc Ln 2011	96⅛	−⅛	9 [illegible]	9 39
68⅝	62	Treas. 5½pc 2008-12	64⅞	−⅛	8 [illegible]	9 19
89⅞	82	Treas. 7¾pc 2012-15	84	−⅛	9 [illegible]	9 34
132	121⅛	Exch. 12pc '13-'17	124⅞	−⅛	9 [illegible]	9 41
		Undated				
45⅝	41½	Consols 4pc	42⅝xd	−⅛	9 38	−
40⅝	36⅝	War Loan 3½pc	37	−⅛	9.23	−
70	60⅞	Conv. 3½pc '61 Aft.	65⅝	−⅛	5 34	−
41	31	Treas. 3pc '66 Aft.	34	−⅛	0 71	−
30⅛	26	Consols 2½pc	26⅝xd	−⅛	9.39	−
29½	25⅛	Treas. 2½pc	26⅝	−⅛	9.39	−
		Index-Linked				
		(b)			(1)	(2)
109	103	Tr 2pc '92 (97.8)	109	...	2 90	3 88
100⅞	94	Do 2 '94 (102.9)	100	...	3 13	3 07
147⅞	139⅛	Do. 2pc '96 (67 9)	147⅞	...	3 27	3 64
125⅞	110	Do 2½pc '01 (78 3)	125⅜	...	3 47	3 72
123	115⅝	Do 2½pc '03 (78 8)	123	...	3.53	3 74
125	117	Do. 2pc '06 (69 5)	125	...	3 56	3 78
117	110⅛	Do. 2½pc '09 (78 8)	117	...	3 55	3 72
123	114	Do. 2½pc '11 (74.6)	122	...	3 56	3 71
102⅝	95⅛	Do. 2½pc '13 (89 2)	102	...	3 53	3.68
118	101⅛	Do. 2½pc '16 (81 6)	118⅛	...	3 50	3 64
108⅝	100⅞	Do 2½pc '20 (83.0)	107	...	3 45	3 58

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

1989 High	1989 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
89½	86½	NZ 7¼pc 1988-92	88¼	−¼	8 22	11.90
206	206	S Rhod 2½pc Non-Assd.	206			−
84½	84½	Do. 4½pc 87-92 Assd.	84½	...	5.33	9 33

LOANS

Building Societies

1989 High	1989 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
99⅞	98⅝	N'wide Anglia 10⅝pc 17.7.89	99⅞	...	10 70	14 02
99	98	Do 11⅛pc 7 8 89	99	...	11 10	14 19
99	98	Do. 11⅝pc 29 8 89	99	...	11 6[illegible]	14 [illegible]
99	99	Do. 12⅝pc 10 9 89	99	...	12 44	14 18
99	99	Do 12⅛pc 2 10 89	99	...	12 3[illegible]	14 17
99	98	Do 11⅞pc 6 11 89	98	...	11 94	14 3[illegible]
100	98	Do 12⅛pc 4.12.89	99	...	12 42	14 30
100	99	Do. 12⅞pc 2 1 90	99	...	12 91	14 [illegible]
100	98⅛	Do 12⅛pc 29 1 90	99	...	12 6[illegible]	14 27
100	98⅛	Do 12⅞pc 26 2 90	98	...	12 [illegible]	14 2[illegible]
100	98	Do 13⅛pc 19 3 90	98	...	13 01	14 3[illegible]
102⅛	98⅛	Do. 3⅛pcIL Ln 2021	101⅛xd	...	4 38	4 45

Public Board and Ind.

47	45	Met. Wtr. 3pc 'B'	46	...	6 53	10 41

FOREIGN BONDS & RAILS

1989 High	1989 Low	Stock	Price £	+ or −	Div % Gross	Red. Yield
45	40	Greek 7pc Ass	40	...	3 50	14 75
45	40	Do 6pc 28 Stb Ass	40xd			17 50
45	40	Do 4pc Mixed Ass	40xd	...		15 00
80	65	Hung 24 Ass	80		2 75	13 57
139	128	Hydro Quebec 15pc 2011	131		15 00	11 10
128	118	Iceland 14½pc Ln 2016	122		14 90	11 [illegible]
97	91½	Ireland 9¾pc '91-96	92		9 7[illegible]	11 40

AMERICANS

Continued on next page

Money Market Bank Accounts

Money Market Trust Funds

UNIT TRUST NOTES

LONDON SHARE SERVICE

AMERICANS—Contd

1989 High	Low	Stock	Price $	+ or −	Div Gross	C'vr	Y'ld Gr's
597p	278p	Cullinet Sftwr 1c	548p	−3	—	—	—
27⅛	21	Dana Corp. $1	25⅛	−⅛	$1.60	—	4.0
12	854p	Data General	11	.....	—	—	—
38	28¾	Dun & Bradstreet $1	35⅛	−1¼	$2.[illegible]	—	3.6
41⅞	30½	Eaton Corpn. 50c	37⅝xd	−⅛	h$2.[illegible]	—	3.4
11⅞	8⅞	Echlin Inc	10⅛xd	−¼	[illegible]	—	4.3
20⅝	16⅞	FPL Group 1c	19¼xd	−¼	$2.[illegible]	—	7.5
32⅞	27⅝	Ford Motor $1	29⅞	−⅞	$3.[illegible]	—	6.4
45⅝	30⅞	GATX 62½c	43⅞	−⅛	$2.[illegible]	—	2.9
35⅛	24¼	Gen. Elect. 63c	32⅛	−½	$1.[illegible]	—	3.2
568p	484p	General Host Corp $1	486p	−18	[illegible]	—	3.9
39¼	18¼	Gillette $1	24[illegible]	−[illegible]	[illegible]	—	2.4
987p	616p	Gt Am First Svgs Bk $1	771p	−25	60c	—	4.9
23⅝	16	Greyhound $1½	20½	−⅛	$1.32	—	4.1
14¼	847p	Hasbro Inc 50c	12¼	−⅛	16c	—	0.8
49⅞	32¼	Honeywell $1½	45¼xd	−1⅛	$2.10	—	2.9
21¼	15¼	Houston Inds.	19½	−½	$2.96	—	9.6
74⅞	63	IBM Corpn $1¼	69xd	−1⅞	$4.84	—	4.4
55p	45p	Image Storage/R.Sys.1c	55p	.....	—	—	—
28¼	18¾	Ingersoll-Rand $2	25xd	−¼	$1.20	—	3.0
33	22½	Lockheed Crpn. $1	29⅛xd	−⅜	$1.60	—	3.4
22⅞	13	Lone Star Inds $1	19	−⅛	$1.90	—	6.2
25	17½	Louisiana Land 15c	23xd	+⅛	$1.00	—	2.8
17	11½	Lowe's 50c	15⅝	−⅜	48c	—	1.9
25	15	Manuf. Hanover $1	22	−⅞	$3.28	—	9.1
20½	13	Merrill Lynch $1	17¾	−⅛	$1.00	—	3.6
2253p	1910p	Molex Inc.	2080p	−46	3.2c	—	—
27	18⅞	Morgan (JP) $2½	13¼xd	−½	$1.66	—	4.4
54½	36¼	NYNEX $1	49½	−¼	$4.36	—	5.6
24⅝	18¼	PHH Corp.	21⅞	−¼	$1.12	—	3.2
259p	218p	Pacific Agr.	218p	.....	—	—	—
27¼	19	Pacificorp $3¼	25	−½	$2.76	—	6.7
27	16⅞	Pacific Telesis 10c	24⅞	−⅛	$1.88	—	4.8
22¼	13¼	Pall Corp. 25c	19¼	−¼	48c	—	1.6
55⅞	39	Pennzoil 83 1/3c	50xd	+½	$3.00	—	3.8
25½	17	Premark Intl.	23⅛	+½	84c	—	2.2
42¼	28⅞	Quaker Oats $5	38¼	−⅜	$1.20	—	2.0
32⅛	23½	Rep NY Corpn $5	30¼xd	+⅛	$1.28	—	2.6
13⅞	11	Rockwell Intl. $1	13⅞	−⅛	72c	—	3.3
35	21⅝	Southwestern Bell $1	31⅞	−¼	$2.60	—	5.2
27⅞	17	Sun Co. Inc. $1	22xd	−1⅛	$1.80	—	5.1
30¼	22	TRW Inc. 62½c	27⅛xd	.....	$1.72	—	3.9
22¼	14⅞	TW Services $5	21⅛	.....	10c	—	0.3
36¼	26¾	Tenneco $5	33⅝xd	−⅛	$3.04	—	5.7
35	28	Texaco $6.25	31¼xd	−⅛	♦$3.00	—	6.0
28	21⅝	Texas Instr. $1	24xd	−½	72c	—	1.9
117	58⅝	Time Inc. $1	96½	−⅛	$1.00	—	0.7
18	13	TRINOVA Corp.	16xd	+⅛	64c	—	2.4
24¼	16	USX $1	21⅛xd	−¼	$1.40	—	4.1
164p	126p	Unilab	150p	.....	—	—	—
33	22¼	Utd. Technologies	31⅛xd	−⅞	$1.60	—	3.3
158p	128p	Utilitech Inc.	137p	.....	—	—	—
46½	31½	US West	43½	−¼	$3.7[illegible]	—	5.5
35	22⅞	Waste Management $1	31⅞xd	−⅛	[illegible]	—	1.0
20	13½	Whirlpool $1	19⅛	.....	$1.1[illegible]	—	3.6
24	16	Whitman Corp	20¼	−½	$1.[illegible]	—	3.1
36	28¼	Woolworth $3½	32	−⅛	$1.[illegible]	—	3.7

CANADIANS

1989 High	Low	Stock	Price $	+ or −	Div Gross	C'vr	Y'ld Gr's
168p	129p	ABM Gold Corp	162p	+5	—	—	—
25½p	4½p	Abbot Energy Corp.	24p	−1	—	—	—
15¾	902p	Amer. Barrick Res.	15	.....	—	—	—
19⅞p	10½p	Armeno	11p	.....	—	—	—
344p	94p	Asiamerica Hldgs	317p	−4	—	—	—
33½p	8½p	Augmitto Expln.	18p	.....	—	—	—
17¼	12⅞	Bk. Montreal	17	−⅛	$2.12	—	6.8
10⅞	655p	Bk. Nova Scot.	913p	−18	92c	—	5.5
22	17	BCE	20¼	.....	$2.44	—	6.4
848p	570p	Bow Valley	734p	.....	♦40c	—	3.0
16⅞	12¼	Brascan	13⅞	.....	86c	—	3.1
228p	144p	Breakwater Res.	168p	+6	10c	—	3.2
17¼	11⅞	Can. Imp Bank	16	.....	$1.24	—	4.2
12⅞	997p	Can. Pacific	11⅝	−¼	76c	—	3.6
41½	38	Do. 4pc Deb £100	38	.....	4%	—	10.5
588p	374p	Central Capital "A"	544p	+7	—	—	—
498p	340p	Corona Corp.	448p	+1	—	—	—
381p	228p	Cons TVX Min.	343p	+9	—	—	—
775p	524p	Derlan Inds.	649p	−14	11.75c	—	1.0
969p	751p	Echo Bay Mines	920p	+22	$0.07	—	0.4
572p	343p	ECO Corp	343p	−30	—	—	—
236p	184p	Galactic Resources	184p	−2	—	—	—
369p	243p	Gandalf Techs. Inc.	335p	+4	—	—	—
183p	129p	Granges Inc.	171p	+3	—	—	—
27½p	5¼p	GT Pacific Res.	7½p	.....	—	—	—
812p	651p	Gulf Canada	745p	−2	52c	—	3.8
14½	10¼	Hawker Sid Can	13⅞	.....	$1.08	—	4.3
653p	348p	Henlys Group	570p	−7	—	—	—
18⅞	11⅞	Hudson's Bay	16⅛	.....	60c	—	2.0
31½	23	Imperial Oil	29½	−⅛	$1.80	—	3.3
19⅝	14¼	Inco	17⅞	.....	s$0.80	—	3.0
821p	599p	Inland Nat. Gas $1	764p	−9	60c	—	4.3
290p	102p	Madeleine Mines	174p	+6	—	—	—
193p	121p	Muscocho Expln.	133p	+9	—	—	—
126p	85½p	Nevada Goldfields	112p	−2	—	—	—
593p	533p	Nova Corp of Alberta	545p	−31	42c	—	3.9
14⅛	10⅞	Rio Algom	13	−⅛	85c	—	3.6
25	17¼	Royal Bk. Can.	22⅞	−⅛	$2.20	—	5.2
50½	33⅞	Seagram	45½	−½	US$1.40	—	1.9
112p	74½p	Sonora Gold Corp	100p	.....	—	—	—
109p	52p	Tam Pure Tech. Corp	52p	−6	—	—	—
11⅛	806p	Toronto-Dom. Bk	10⅞	.....	h66c	—	3.3
820p	686p	Trans Can Pipe	751p	−23	68c	—	4.9
184p	152p	Varity Corp	158p	−5	B	—	—

BANKS, HP & LEASING

1989 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]								

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS — Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES—Contd

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.)—Contd

[illegible]

INDUSTRIALS (Miscel.)—Contd.

[illegible]

INSURANCES

[illegible]

صكدا من الأجل

LONDON SHARE SERVICE

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INSURANCES—Contd

[illegible]

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING, ADVERTISING — Contd

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

Australians

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

MINES—Contd

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma
Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- ¶ Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources k Kenya, m Interim higher than previous total n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield B Preference dividend passed or deferred C Canadian. E Minimum tender price F Dividend and yield based on prospectus or other official estimates for 1988-89 G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross R Forecast annualised dividend cover and p/e based on prospectus or other official estimates. T Figures assumed W Pro forma figures. Z Dividend total to date.
Abbreviations: xd ex dividend; xc ex scrip issue, xr ex rights, xa ex all, xc ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p.... γ	98	.....
Craig & Rose £1 . γ	810xd	+90
Finlay Pkg. 5p.... γ	88	.....
Holt (Jos) 25p..... γ	1345	+15

IRISH

Cap. 8½% Ln 1991	£99¼	.....
9pc Cap Ln. 1996..	£99	.....
Fin. 13% 97/02...	£120	.....
Arnotts	420	+10
Carrol (P J.) .... γ	145	...
Hall (R & H.)......	165	.....
Heiton Hldgs... .. γ	71	−1
Irish Ropes.	200	..
United Drug	132	.....

TRADITIONAL OPTIONS
3-month call rates

Industrials	p
Allied-Lyons	38
Amstrad	11
BAT	45
BOC Grp.	42
BSR	6½
BTR	52
Barclays	42
Beecham	50
Blue Circle	48
Boots	25
Bowaters	44
Brit Aerospace	52
British Steel	7½
Brit. Telecom	21
Burton Ord	10
Cadburys	51
Charter Cons.	48
Comm Union	32
Courtaulds	58
FKI Babcock	14
FNFC	22
Gen Accident	85
GEC	20
Glaxo	110
Grand Met	48
GUS 'A'	90
Guardian	18
GKN	34
Hanson	16
Hawker Sidd.	60
ICI	100
Jaguar	28
Ladbroke	48
Legal & Gen.	28
Lex Service	33
Lloyds Bank	29
Lucas Inds.	58
Marks & Spencer	15
Midland Bk	30
Morgan Grenfell	24
Nat West Bk.	25
P & O Dfd.	55
Plessey	22
Polly Peck	26
Racal Elect.	48
RHM	42
Rank Org Ord	80
Reed Intnl	34
STC	32
Sears	18
TI	38
TSB	10
Tesco	14
Thorn EMI	58
Trust Houses	24
T&N	18
Unilever	46
Vickers	18
Wellcome	42
Property	
Brit Land	32
Land Securities	52
MEPC	50
Randsworth	28
Oils	
Brit Petroleum	21
Burmah Oil	50
Calor	35
Charterhall	2½
Premier	9
Shell	32
Ultramar	26
Mines	
Cons Gold	100
Lonrho	30
RTZ	48

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar nervous ahead of data

THE DOLLAR fell below DM1.8900 yesterday to touch its lowest level for two months, before recovering towards the close. Sentiment was driven by fears that the US Federal Reserve might cut interest rates in order to offset a perceived slow down in US economic growth.

Much depends on the the release today of US employment data. Investors are likely to make decisions on whether the US economy is heading for a 'hard landing' or whether there is little justification for a cut in rates. The US Federal Reserve however, is more likely to be swayed by the rate of inflation, and as yet, there is no solid evidence to suggest that this has reached its peak. US non-farm payroll employment in June is expected to rise by about 200,000; any figure below this may drive the dollar weaker. But a slowdown in economic activity has already been written into the dollar's value, and there is every chance that a larger than expected increase could see the US unit bounce sharply higher, at least in the short term.

Early trading in Europe saw the dollar hold above the DM1.89 level, but small scale selling in the relatively thin trading conditions soon pushed the dollar below this. But the US unit came back towards the close to finish at DM1.8910 from DM1.8905 and Y139.35 compared with Y138.90. Elsewhere, it finished at SFr1.6220 from SFr1.6200 and FFr6.4075 against FFr6.4125. On Bank of England figures, the dollar's exchange rate index was 69.8 from 70.0 on Wednesday.

Sterling benefited from the dollar's weaker tone and showed a small improvement against its European partners. The pound retains its steadier undertone but the big test of sentiment is likely to come next week with the release of average earnings, producer prices and industrial output. Renewed industrial unrest could also affect sentiment.

However, Mr Nigel Lawson, UK Chancellor of the Exchequer, repeated in the Houses of Commons yesterday that the Government will not allow a fall in sterling to result in an unplanned easing in monetary policy. While this always leaves open the option of a planned easing, most traders read Mr Lawson's statement as a timely reminder that a weaker pound would probably prompt a rise in base rates.

Sterling rose to $1.6220 from $1.6195 and DM3.0675 compared with DM3.0625. It was also higher against the yen at Y226.00 from Y225.00. Elsewhere, it finished at SFr2.6300 from SFr2.6225 and FFr10.3925 from FFr10.3850. On Bank of England figures, the pound's exchange rate index rose to 91.9, down from a late afternoon peak of 92.0.

The D-Mark lost ground against the French franc despite a fall in short-term French interest rates. The West German unit slipped to FFr3.3885 from FFr3.3920 on Wednesday.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu July.6	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.3602	+2.12	+0.95	±1.5424
Danish Krone	7.85212	8.05135	+2.54	+1.37	±1.6419
German D-Mark	2.05853	2.07132	+0.62	-0.55	±1.1019
French Franc	6.90403	7.02418	+1.74	+0.57	±1.3719
Dutch Guilder	2.31943	2.33482	+0.66	-0.51	±1.5019
Irish Punt	0.768411	0.775623	+0.94	-0.23	±1.6689
Italian Lira	1483.58	1500.49	+1.14	+0.56	±4.0815
Spanish Peseta	133.804	130.700	-2.32	-	-

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

July.6	Latest	Previous Close
£ Spot	[illegible]	[illegible]
1 month	[illegible]	[illegible]
3 months	[illegible]	[illegible]
12 months	[illegible]	[illegible]

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	July.6	Previous
8.30 am	91.8	91.5
9.00 am	91.8	91.4
10.00 am	91.8	91.5
11.00 am	91.9	91.5
Noon	91.9	91.4
1.00 pm	91.9	91.4
2.00 pm	91.9	91.5
3.00 pm	92.0	91.6
4.00 pm	91.9	91.8

CURRENCY RATES

July.6	Bank rate %	Special* Drawing Rights	European † Currency Unit
[illegible]			

§ Sterling quoted in terms of SDR and ECU per £. † European Commission Calculations. * All SDR rates are for July.5

CURRENCY MOVEMENTS

July.6	Bank of England Index	Morgan Guaranty Changes %
[illegible]		

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100) *Rates are for July.5.

OTHER CURRENCIES

July.6	£	$
[illegible]		

POUND SPOT- FORWARD AGAINST THE POUND

July.6	Day's spread	Close	One month	% p.a.	Three months	% p.a.
[illegible]						

Commercial rates taken towards the end of London trading. Belgian rate is for convertible francs. Financial franc 64.20-64.30. Six-month forward dollar 3.78-3.73cpm 12 month 7.08-6.98cpm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

July.6	Day's spread	Close	One month	% p.a.	Three months	% p.a.
[illegible]						

Commercial rates taken towards the end of London trading. † UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 39.55-39.65.

EURO-CURRENCY INTEREST RATES

July.6	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
[illegible]						

Long term Eurodollars; two years 8¾-8⅝ per cent; three years 8⅞-8¾ per cent; four years 8⅞-8¾ per cent; five years 8⅞-8¾ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

July.6	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
[illegible]										

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

UK and German bonds weak

STERLING DENOMINATED contracts weakened on Liffe yesterday, and West German Government bonds also retreated more than wiping out Wednesday's gains.

Long gilt and short sterling futures finished at or very near the day's lows, but market volume was very thin. Mr Nigel Lawson, the Chancellor, speaking in Parliament reaffirmed the Government's commitment to a firm monetary policy. This confirmed the belief that UK interest rates will not be cut in the near future. Traders tended to take a defensive view ahead of next week's figures on UK average earnings and retail prices.

Short sterling for three-month delivery opened at the day's peak of 86.17 and closed at the low of 86.05.

September long gilts opened at 94-19 and touched a peak of 94-24, before falling to a low of 94-08 and closing at 94-09, against 94-26 previously.

Rumours of a spate of Eurosterling issues added to the downward pressure, in expectation that this will lead position hedging via sales of gilts.

German Government bonds for September fell to 95.21 from 95.55, after touching a high of 95.60. The decline followed disappointment at an upward revision to 0.2 per cent from unchanged in June German cost of living, taking the year-on-year inflation rate up to 3.1 per cent.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
91	329	363	11	43
92	238	318	20	62
93	154	241	36	121
94	114	205	60	149
95	52	139	134	219
96	32	113	214	257
97	18	57	300	337

Estimated volume total, Calls 528 Puts 834
Previous day's open int. Calls 12667 Puts 16348

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
92	540	606	10	50
94	351	432	21	112
96	214	311	48	155
98	105	205	139	249
100	29	122	263	402
102	11	53	445	533
104	5	31	639	711

Estimated volume total, Calls 337 Puts 260
Previous day's open int. Calls 2229 Puts 2955

LIFFE BUND FUTURES OPTIONS

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
9350	181	207	10	40
9400	138	172	17	55
9450	101	140	30	73
9500	70	112	49	95
9550	44	82	73	115
9600	28	62	107	145
9650	19	47	148	180

Estimated volume total, Calls 600 Puts 359
Previous day's open int. Calls 14193 Puts 12837

LIFFE £/$ OPTIONS

Strike Price	Calls-settlements Jul	Aug	Sep	Puts-settlements Jul	Aug	Sep
[illegible]						

Estimated volume total, Calls 0 Puts 2
Previous day's open int. Calls 190 Puts 12

LIFFE EURODOLLAR OPTIONS

Strike Price	Calls-settlements		Puts-settlements	
[illegible]				

Estimated volume total, Calls 225 Puts 102
Previous day's open int. Calls 4641 Puts 3451

LIFFE SHORT STERLING

Strike Price	Calls-settlements		Puts-settlements	
[illegible]				

Estimated volume total, Calls 574 Puts 528
Previous day's open int. Calls 17610 Puts 15097

PHILADELPHIA SE £/$ OPTIONS

Strike Price	Calls				Puts			
[illegible]								

Previous day's open int: Calls 300,122 Puts 426,299 (All currencies)
Previous day's volume: Calls 48,358 Puts 21,261 (All currencies)

LONDON (LIFFE)

20-YEAR 9% NOTIONAL GILT; 7-10 YEAR 9% NOTIONAL GILT; US TREASURY BONDS 8%; 6% NOTIONAL GERMAN GOVT. BOND; 6% NOTIONAL LONG TERM JAPANESE GOVT. BOND; THREE-MONTH STERLING; THREE-MONTH EURODOLLAR; THREE MONTH EUROMARK; FT-SE 100 INDEX; POUND-$ (FOREIGN EXCHANGE)

	Close	High	Low	Prev.
[illegible]				

CHICAGO

U.S. TREASURY BONDS (CBT) 8%; U.S. TREASURY BILLS (IMM); SWISS FRANC (IMM); JAPANESE YEN (IMM); DEUTSCHE MARK (IMM); THREE-MONTH EURODOLLAR (IMM); STANDARD & POORS 500 INDEX

	Latest	High	Low	Prev.
[illegible]				

EUROPEAN OPTIONS EXCHANGE

Series		Aug. 89 Vol	Last	Nov. 89 Vol	Last	Feb. 90 Vol	Last	Stock
[illegible]								

TOTAL VOLUME IN CONTRACTS : 60,570

A=Ask B=Bid C=Call P=Put

FT LONDON INTERBANK FIXING

(11.00 a.m. July.6)	3 months US dollars		6 months US Dollars	
	bid 9¼	offer 9⅜	bid 8⅞	offer 8⅞

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds

[illegible]			

July.6	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	[illegible]					
Paris	[illegible]					
Zurich	[illegible]					
Amsterdam	[illegible]					
Tokyo	[illegible]					
Milan	[illegible]					
Brussels	[illegible]					
Dublin	[illegible]					

LONDON MONEY RATES

July.6	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
[illegible]						

Treasury Bills (sell); one-month 13⅜ per cent; three months 13⅜ per cent; Bank Bills (sell): one-month 13⅜ per cent; three months 13⅜ per cent; Treasury Bills; Average tender rate of discount 13.6220 p.c. ECGD Fixed Rate Sterling Export Finance. [illegible]

MONEY MARKETS

London rates steady

THERE WAS very little change in London money market rates yesterday. Sterling held steady on the foreign exchanges, underpinning the recent improvement in sentiment, but relatively high UK inflation means there is little expectation of lower bank base rates in the foreseeable future. Three-month interbank opened at 14-13⅞ per cent and closed at the same level, compared with 14-13¾ per cent on Wednesday.

The Bank of England initially forecast a money market credit shortage of £500m, but revised this to a shortage of £550m at noon and to £600m in the afternoon. Total help of £579m was provided.

UK clearing bank base lending rate 14 per cent from May 24

Before lunch the authorities bought £28m bank bills in band 1 at 13¾ per cent. In the afternoon another £206m bills were purchased, via £147m Treasury bills in band 1 at 13¾ per cent and £59m bank bills in band 1 at 13¾ per cent. Late assistance of around £345m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £352m, with a rise in the note circulation absorbing £90m and bank balances below target £200m. These factors outweighed Exchequer transactions adding £165m to liquidity.

In Madrid the Bank of Spain raised its money market intervention rate to 14½ per cent from 13¾ per cent. This is the rate at which the central bank lends overnight funds to commercial banks and is Spain's nearest equivalent to a discount rate. The rate was last raised on March 3, and yesterday's move was seen as a reaction to last week's increase in many European interest rates.

In Frankfurt call money continued to ease, following this week's generous supply of liquidity at the Bundesbank's securities repurchase agreement tender. Rates began to fall on Wednesday after the Bundesbank injected a net DM6.5bn into the banking system at the tender. This was taken as a sign that the authorities want the call rate lower to reduce the amount of borrowing from the 7 per cent Lombard emergency facility.

Yesterday's fall in the call rate to 6.80 per cent from 6.85 per cent was also the result of speculation that West German rates have peak

In Paris call money fell to 9⅛ per cent, after dipping to 9⅛ per cent late on Wednesday from an earlier level of 9⅛ per cent. Credit conditions improved after banks drew down funds from Wednesday's emergency funding by the Bank of France. The central bank added FFr2.64bn via five to 10-day repurchase agreements.

BASE LENDING RATES

	%		%		%
ABN Bank	14	Clydesdale Bank	14	Nat Westminster	14
Adam & Company	14	Comm. Bk N. East	14	Northern Bank Ltd	14
AIB	14	Co-operative Bank	14	Norwich Gen. Trust	14
Allied Irish Bank	14	Coutts & Co	14	PROVINCIAL Limited	14
Henry Ansbacher	14	Cyprus Popular Bk	14	Provincial Bank PLC	15
Associates Cap Corp	14	Duncan Lawrie	14	R. Raphael & Sons	14
Banco de Bilbao Vizcaya	14	Equatorial Bank plc	14	Roxburghe Guarantee	14½
Bank Hapoalim	14	Exeter Trust Ltd	14½	Royal Bk of Scotland	14
Bank Leumi (UK)	14	Financial & Gen. Sec	14	Royal Trust Bank	14
Bank Credit & Comm	14	First National Bank Plc	15	Standard Chartered	14
Bank of Cyprus	14	Robert Fleming & Co	14	TSB	14
Bank of India	14	Robert Fraser & Ptrs	14½	United Bk of Kuwait	14
Bank of Ireland	14	Girobank	14	United Mizrahi Bank	14
Bank of Scotland	14	Guinness Mahon	14	Unity Trust Bank Plc	14
Banque Belge Ltd	14	HFC Bank plc	14	Western Trust	14
Barclays Bank	14	Hambros Bank	14	Westpac Bank Corp	14
Benchmark Bank PLC	14	Heritable & Gen Inv Bk	14	Whiteaway Laidlaw	14
Beneficial Trust Ltd	14	Hill Samuel	14	Yorkshire Bank	14
Brit Bk of Mid East	14	C. Hoare & Co	14		
Brown Shipley	14	Hongkong & Shangh.	14		
Business Mrtg Tst	14½	Leopold Joseph & Sons	14		
CL Bank Nederland	14	Lloyds Bank	14		
Central Capital	14	Meghraj Bank Ltd	14		
Citibank NA	14	Midland Bank	14		
City Merchants Bank	14	Mount Banking	14		

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GRANVILLE SPONSORED SECURITIES

High	Low	Company	Price	Change	Gross div (p)	Yield %	P/E
[illegible]							

Securities designated (SE) and (USM) are dealt in subject to the rules and regulations of The Stock Exchange. Other securities listed above are dealt in subject to the rules of TSA

These Securities are dealt in strictly on a matched bargain basis. Neither Granville & Co Limited nor Granville Davies Limited are market makers in these securities.

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FT 30	FTSE 100	WALL STREET
Jul. 1785/1794 -9	Jul. 2150/2160 -8	Jul. 2455/2467 -3
Sep. 1798/1807 -9	Sep. 2166/2176 -8	Sep. 2471/2483 -2

Prices taken at 5pm and change is from previous close at 9pm

JOTTER PAD

CROSSWORD

No.6,979 Set by VIXEN

ACROSS

1 Copper absorbed in a scholar's calculator (6)
4 Duty-free (8)
10 Ads composed by a head in the depression (7)
11 Shout out of right (7)
12 A woman showing compassion (4)
13 The president's laundry not returned (10)
15 Wanted to stop holding contest (6)
16 An opening for original singers (7)
20 Like the record? Twitch to it to get healthy (7)
21 Dicky is tart and difficult (6)
24 Many retired before time – it turned on the allowance made (10)
26 An expression seen in winter mainly (4)
28 The canting type (7)
29 A look of malevolence (4-3)
30 Restrained note the revolutionary's written (8)
31 Resolve to secure a seat (6)

DOWN

1 Insisted on a desert's being made use of (6)
2 Extras – a wealthy individual receiving a great many, it appears (9)
3 A person exercising requires some house-room (4)
5 The panel called for a trumpeter (8)
6 Instant estimate given "Fair to middling" (6-4)
7 Cook needs the right sort of oven (5)
8 Insist on the minister holding up call (6)
9 Writing, having points to express (5)
14 Gather tribute of value, not for the first time (10)
17 Account for amendment to testament (8)
18 Repugnance exhibited by good man – a good man in decline (8)
19 Impressed over Eastern flight (6)
22 Not all restrictions are exactly observed (6)
23 A disheartening device (5)
25 The French social worker is bent! (5)
27 Don't expose the skin (4)

Solution to Puzzle No.6,978

هكذا من الأصل

WORLD STOCK MARKETS

AUSTRIA

July 6	Sch	+ or –
Austrian Airlines	2,120	+10
Creditanstalt	2,780	+30
Goesser	3,900	+40
Interunfall	18,900	–100
Jungbunzlauer	15,390	+20
Laenderbank	445	–10
Perlmooser	1,470	+40
Reininghaus	1,410	
Semperit	239	–1
Steyr-Daimler	124	+9
Veitscher Mag	860	+4
Verbund	179	

BELGIUM/LUXEMBOURG

July 6	Frs.	+ or –
Arbed	6,050	–30
B.B.L.	3,410	
Bank Intl. a Lux	15,400	+100
Banque Gen. Du. Lux	14,500	
Banque Nat. Belg	37,050	+25
Bekaert B	14,275	+50
Ciment CBR	6,750	–20
Cobepa	5,860	–40
Do. AFV 1	5,760	–80
Do. AFV 2	5,800	–10
Cockerill	370	–4
Cofinoyt	16,100	–75
Delhaize	5,800	
EBES	4,425	+15
Do. AFV 1	4,450	+50
Do. AFV 2	4,450	+10
Fabrique Nat.	780	–4
GIB Group	1,336	+2
Do. AFV	1,314	+14
GBL (Brux)L	4,650	+60
Do. AFV 1	4,550	+20
Do. AFV 2	4,550	+40
[illegible]	[illegible]	[illegible]

FRANCE (continued)

July 6	Frs.	+ or –
Alsthom	599	+3
Arjomari-Prioux	2,505	–20
Auxiliaire d'Ent.	950	+68
BIC	754	+5
BSN	699	–2
Bancaire Cie	530	+3
BNP (Cert.Inv.)	581	+1
Beghin-Say	675	–7
Do. Certs	445	+5
Bongrain	3,000	–1
Bouygues	705	–5
CMB Packaging	675	
Carrefour	3,220	–3
Casino	199	–1
Cetelem	600	–5
Chargeurs	1,210	+2
Ciments Fr.	1,470	
Club Mediterranee	637	–1
Cofimeg	363	+1
Cogifi	341	–18
CGE	428.5	+1.5
Coparex	334	–1
Cred Foncier Fr	849	+13
Credit National	1,046	+11
Damart	3,090	+40
Docks de France	3,847	+137
Dollfus-Mieg	549	+9
Dumez S.A.	908	
Eaux (Cie Gen)	1,984	+4
Ecco	566	+5
Electrofin'ce	1,013	+1
Elf-Aquitaine	533	+3
Do. Certs	432	+10
Esselte-Bertrand	1,350	–45
Essilor	3,162	–45
Eternit (Fin.)	2,669	+34
Eurafrance	1,635	+15
Eurocom	1,575	+15
[illegible]	[illegible]	[illegible]

GERMANY (continued)

July 6	Dm.	+ or –
Badenwerk	[illegible]	[illegible]
Bayer	[illegible]	[illegible]
Bayer-Hypo	[illegible]	[illegible]
BMW	[illegible]	[illegible]
Bayer-Verein	[illegible]	[illegible]
Beiersdorf	[illegible]	[illegible]
Berliner Kraft	[illegible]	[illegible]
BHF-Bank	[illegible]	[illegible]
Bilfinger & Berger	[illegible]	[illegible]
Brown Boveri	[illegible]	[illegible]
Colonia Versich	[illegible]	[illegible]
Do. Pref.	[illegible]	[illegible]
Commerzbank	[illegible]	[illegible]
Continental AG	[illegible]	[illegible]
DLW	[illegible]	[illegible]
Daimler-Benz	[illegible]	[illegible]
Degussa	[illegible]	[illegible]
Deutsche Babcock	[illegible]	[illegible]
Deutsche Bank	[illegible]	[illegible]
Didier-Werke	[illegible]	[illegible]
Douglas Hldgs	[illegible]	[illegible]
Drägerwerk	[illegible]	[illegible]
Dresdner Bank	[illegible]	[illegible]
Fag Kugelfischer	[illegible]	[illegible]
Feldmuehle Nobel	[illegible]	[illegible]
Gerresheimer	[illegible]	[illegible]
Goldschmidt (TH)	[illegible]	[illegible]
Hamburg Elekt.	[illegible]	[illegible]
Hapag Lloyd	[illegible]	[illegible]
Harpener	[illegible]	[illegible]
Heidelberger Zem	[illegible]	[illegible]
Henkel Pref.	[illegible]	[illegible]
Herlitz	[illegible]	[illegible]
Hochtief	[illegible]	[illegible]
Hoechst	[illegible]	[illegible]
Hoesch	[illegible]	[illegible]
Holzmann (P)	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]

ITALY (continued) · SWEDEN · NETHERLANDS · SWITZERLAND · NORWAY · SPAIN · SOUTH AFRICA · DENMARK · FINLAND · FRANCE · ITALY · GERMANY · JAPAN · AUSTRALIA (continued) · AUSTRALIA · HONG KONG · SINGAPORE

[illegible]	[illegible]	[illegible]

CANADA

TORONTO

2pm prices July 6

Quotations in cents unless marked $

Sales	Stock	High	Low	Close	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
500	Carena	$28¼	28	28	– ⅛
29	Celanese	$31⅞	31⅞	31⅞	
8678	Cen Capital	$12⅞	12⅞	12⅞	+ ⅛
12838	CenCap A	$10⅞	10⅞	10⅞	– ⅛
6250	CenFd A	$5⅛	5⅛	5⅛	
1640	C Guar Trc	$11½	11½	11½	
10800	Chieftan	178	178	178	+ 8
200	Chieftan	$16	16	15	– ⅛
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
176000	Northam I	$11⅛	11⅛	11⅛	
3304	H Bay Min s	$9⅛	9⅛	9⅛	+ ⅛
733	H Bay Co	$31⅛	31⅛	31⅛	+ ⅛
8270	Imasco L	$34	33⅞	33⅞	– ⅛
18713	Imp Oil A	$58⅞	58⅞	58⅞	
83587	Inco	$33⅛	33⅛	33⅛	+ ⅛
2000	Innopac	$11⅛	11⅛	11⅛	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
401239	Placer Dm	$17	16⅞	16⅞	+ ⅛
6260	Poco Pet	$9⅛	8⅞	8⅞	– ⅛
100000	Powr Cor I	$15	14⅞	14⅞	– ⅛
3850	Power Fin	$18⅞	18⅞	18⅞	
8830	Provigo	$10⅞	10½	10½	– ⅛
400	Quebcor A	$17⅞	17⅞	17⅞	+ ⅛
6426	Ranger	$8⅛	8⅛	8⅛	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
6080	Westmin	$9⅛	9⅛	9⅛	
28973	Weston	$45⅛	45	45⅛	
530	Woodwd A	$5½	5½	5½	
500	Xerox Can	$19	18	19	

1–No voting rights or restricted voting rights

INDICES

NEW YORK — DOW JONES

	July 6	July 5	July 3	June 30	1989 High	1989 Low	Since compilation High	Since compilation Low
◆Industrials	2462.44	2456.56	2452.77	2440.06	2531.87 (23/6)	2144.64 (3/1)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	92.54	92.26	92.37	92.24	92.54 (6/7)	87.35 (23/3)	–	–
Transport	1179.82	1170.48	1164.46	1148.77	1192.59 (27/6)	959.95 (3/1)	1192.59 (27/6/89)	12.32 (8/7/32)
Utilities	210.32	209.88	210.07	209.70	211.77 (27/6)	181.84 (24/2)	227.83 (22/1/87)	10.50 (8/4/32)

◆Day's High 2475.53 (2467.19) Low 2446.51 (2431.53)

STANDARD AND POOR'S	July 6	July 5	July 3	June 30	1989 High	1989 Low	Since compilation High	Since compilation Low
Composite ‡	321.55	320.64	319.23	317.98	328.44 (27/6)	275.31 (3/1)	336.77 (25/8/87)	4.40 (1/6/32)
Industrial (latest)	367.19	366.17	364.82	363.48	375.71 (27/6)	318.66 (3/1)	393.17 (25/8/87)	3.62 (21/6/32)
Financial	30.75	30.60	30.34	30.17	31.15 (27/6)	24.30 (3/1)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	179.82	179.25	178.51	177.90	183.18 (27/6)	154.98 (3/1)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. Value	361.11	359.12	358.83	358.97	366.43 (27/6)	305.24 (3/1)	366.43 (27/6/89)	29.31 (9/12/72)
NASDAQ OTC Comp	439.57	436.94	436.00	435.29	453.65 (9/6)	378.56 (3/1)	455.28 (26/8/87)	54.87 (31/10/72)

	Jun 30	Jun 23	Jun 16	year ago (approx.)
Dow Industrial Div. Yield	3.70	3.57	3.59	3.50
		June 28	June 21	year ago (approx.)
S & P Industrial div. yield	3.06	3.00	3.05	3.03
S & P Indl. P/E ratio	13.47	13.72	13.48	14.42

TRADING ACTIVITY † Volume Millions	July 6	July 5	July 3
New York	138.667	127.700	68.932
Amex	9.977	10.258	4.946
OTC	(a)	94.528	53.203

NEW YORK	July 6	July 5	July 3
Issues Traded	1,972	1,959	1,870
Rises	950	879	747
Falls	522	562	593
Unchanged	500	508	530
New Highs	85	67	29
New Lows	16	15	10

CANADA

TORONTO	July 6	July 5	July 4	July 3	1989 High	1989 Low
Metals & Minerals	3260.8	3273.7	3263.3	(c)	3364.9 (6/2)	3207.5 (3/1)
Composite	3776.5	3772.3	3756.4	(c)	3806.1 (8/6)	3350.5 (4/1)
MONTREAL Portfolio	1896.73	1897.07	1892.34	(c)	1948.46 (9/6)	1677.48 (3/1)

NEW YORK ACTIVE STOCKS

Thursday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
Panhandle	1,880,400	24⅛	+ ⅛	Exxon	1,152,500	44	– ⅛
Syntex	1,406,200	30	+ ¼	Warner Com	1,121,400	61⅞	+ ⅞
American Elec	1,294,000	28⅛	+ ⅛	Maytag	1,121,180	23	+ ⅛
Armstrong World	1,255,500	49⅛	+ 1⅛	Kroger	966,400	15⅛	– ⅛
UAL Corp	1,164,300	152⅛	+ 3⅛	AT&T	961,800	35⅛	+ ⅛

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (a) Unavailable.

	July 6	July 5	July 4	July 3	1989 High	1989 Low
AUSTRALIA						
All Ordinaries (1/1/80)	1519.5	1513.8	1504.6	1501.2	1583.1 (23/5)	1412.9 (7/4)
All Mining (1/1/80)	695.0	685.4	680.8	681.3	727.0 (26/1)	652.6 (7/4)
AUSTRIA						
Credit Aktien (30/12/84)	357.71	355.18	353.89	352.23	366.67 (21/6)	219.5 (2/1)
BELGIUM						
Brussels SE (1/1/80)	6157.51	6153.55	6167.26	6158.43	6167.26 (4/7)	5519.30 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	347.43	344.22	340.35	340.12	347.43 (6/7)	275.49 (27/2)
FINLAND						
Unitas General (1975)	763.3	765.3	768.5	773.6	815.8 (18/4)	723.3 (4/1)
FRANCE						
CAC General (31/12/82)	482.0	482.5	480.0	477.7	491.00 (26/6)	417.90 (4/1)
Ind. Tendance (30/12/88)	113.0	113.3	113.3	111.7	114.6 (26/6)	97.5 (27/2)
GERMANY						
FAZ Aktien (31/12/58)	615.81	620.20	626.70	616.51	626.70 (4/7)	536.78 (27/2)
Commerzbank (1/12/53)	1830.2	1844.1	1864.0	1854.0	1864.0 (4/7)	1595.7 (27/2)
DAX (30/12/87)	1493.29	1495.75	1505.67	1492.33	1505.67 (4/7)	1271.70 (23/2)
HONG KONG						
Hang Seng Bank (31/7/64)	2369.53	2350.67	2316.74	2270.81	3309.64 (15/5)	2093.61 (5/6)
ITALY						
Banca Com. Ital. (1972)	647.79	645.47	649.16	651.97	651.97 (3/7)	577.49 (28/2)
JAPAN						
Nikkei (16/5/49)	33423.48	33309.71	33190.38	33236.4	34266.75 (31/5)	30183.79 (5/1)
Tokyo SE (Topix) (4/1/68)	2489.31	2478.02	2469.56	2467.15	2544.60 (8/5)	2366.91 (6/1)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	246.7	246.6	248.8	248.8	253.5 (28/6)	208.3 (3/1)
CBS All Shr (End 1983)	192.0	192.0	193.7	193.7	197.4 (28/6)	166.7 (1/3)
NORWAY						
Oslo SE (2/1/83)	640.48	635.28	632.18	628.35	665.61 (19/4)	467.17 (2/1)
SINGAPORE						
Straits Times Ind. (30/12/66)	1318.56	1305.01	1303.83	1298.06	1318.56 (6/7)	1030.69 (4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1630.0	1610.0	1557.0	1531.0	1639.0 (23/3)	1291.0 (15/2)
JSE Industrial (28/9/78)	2650.0	2640.0	2621.0	2624.0	2650.0 (6/7)	1961.0 (3/1)
SPAIN						
Madrid SE (30/12/85)	303.46	305.06	306.84	308.05	315.90 (13/6)	268.61 (1/3)
SWEDEN						
Jacobson & P. (31/12/56)	4233.2	4286.1	4186.1	4179.9	4286.1 (5/7)	3333.9 (3/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	750.0	759.5	755.7	752.0	759.5 (5/7)	613.1 (3/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	507.4	502.4	500.4	519.0 (17/2)	487.6 (13/6)

♦ Subject to official recalculation.

Base values of all indices are 100 except Brussels SE and DAX – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia, All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Thursday July 6 1989

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
KHI	59.0m	1,180	+Y10	Ushio	11.8m	1,620	+80
MHI	24.8m	1,220	–10	Fujitsu	11.8m	1,640	–10
Teikoku Oil	18.9m	1,280	+80	Sumitomo Realty	10.4m	1,970	+15
Daikin	14.9m	2,040	–	Nippon Steel	7.8m	819	+9
Teijin	12.9m	926	+16	Riken	6.8m	1,220	+80

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

4pm prices July 6

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
22⅞	21⅛	AAR	.44	1.5	20	117	28⅞	29¼	29⅛	+ ⅛
18⅛	8⅞	ACM s	1.01	11.		166	9⅛	8¼	9⅛	+ ⅛
11⅞	16¼	ACMIn	1.26a	11.		589	11⅛	11⅛	11⅛	+ ¼
16⅛	8½	ACM M	s1.01	11.		301	8½	8⅛	9½	+ ⅛
11⅛	10	ACM Sc	1.26	11.		1306	11⅝	11⅛	11⅛	
9¾	8⅛	ACMSp	1.01	11.		367	8¼	0	9⅛	
17¼	10⅞	AL Lab	.12	.7	18	24	10⅞	18⅝	18⅞	– ⅛
4⅝	2⅞	AMCA	.12e	0.1	20	126	2⅞	3⅛	3⅛	– ⅛
6⅝	4½	AM Intl				169	6⅛	5	5	
33½	35	AM In pf	2	9.7		15	20⅞	20⅝	20⅝	– ⅛
38½	40⅝	AMR			8	3823	64½	63⅝	64	+ ⅝
27	26	ANR pf	2.67	10.		1	25¾	25⅛	25⅛	
8⅞	3⅛	ARX				104	4	2⅞	4	
43⅛	33¼	ASA	3a	7.8		219	43⅛	42⅝	46⅛	+ ¼
20⅞	16¼	AVX	.24	1.2	8	426	28	19⅞	19¾	+ ¼
31⅛	43½	AbtLab	1.40	2.4	17	1715	56¼	60⅛	60⅛	+ ⅜
16⅞	15¼	Abitibi g	1			56	15⅛	15¼	12⅛	+ ⅛
13	7½	AcmeC	.40	3.4		268	11⅛	11⅛	11⅛	
8	2⅞	AcmeE	.32	4.1	16	8	7⅞	7⅛	7⅛	– ⅜
34⅛	20¼	Acuson			25	155	31⅝	31	31⅞	+ ½
19⅞	14¼	AdaEx	1.62e	12.		67	15¼	15¼	15¼	– ⅛
16¾	7⅛	AMD				2622	10	9¼	10	+ ⅛
43¼	38⅞	AMD pf	3	9.1		6	33⅞	32⅛	32⅞	– ⅛
11⅞	6½	Adobe				623	u11⅞	11¼	11⅛	+ ½
18½	16½	Adob pf	1.84	9.8		59	u18⅞	18½	18⅛	+ ¼
21⅞	19⅝	Adob pf	2.40	11.		10	21¼	21¼	21¼	+ ½
8⅞	6⅛	Advest	.12	1.8	16	525	6⅝	6⅝	6⅛	– ⅛
58½	43½	AetnLf	2.19	4.8	9	2308	u57	56⅝	57	+ ½
14	12⅛	AfilPb				1530	13¼	13	13⅛	+ ¼
23⅛	14⅝	Ahmans	.88	4.9	16	2898	22⅞	21⅛	22	+ ⅛
4⅝	2¼	Aileen				17	2⅜	2⅝	2⅛	+ ⅛
38¼	37⅛	AirPrd	1.32	3.2	10	3566	41⅛	40½	41⅛	+ ⅝
20¼	15½	AirbFrt	.60	2.1	28	303	20⅛	28	28⅛	
24½	18⅞	Airgas			13	111	21⅜	21	21	– ¾
20½	17⅞	Airlease	2.40	12.	9	8	18⅞	10⅞	19⅞	+ ⅛

Continued on Page 49

صكذا من الاصل

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
										– X–Y–Z –
69	51¼	Xerox	3	4.0	17	1734	62⅞	60	60	– ⅞
48¾	44	Xerox pf				1	43⅝	d43¼	43⅝	– ⅞
48¾	44½	Xerox pf4.13		9.1		1	45¼	45¼	45¼	
44¼	29⅞	XTRA	.72	2.3	16	1885	30¾	30	30¾	+ ⅜
33	24½	XTRA pf1.94		7.6		105	26¼	25½	25¾	+ ½
3⅞	2	Zapata				432	2⅞	2⅝	2¾	
15½	13½	Zemex	.45	3.3	136	3	13¾	12¾	13¾	
28⅞	16½	ZenithE			619	985	18⅞	18⅜	18⅜	
10⅜	9⅞	ZenInc	1.28	13.		176	9⅞	9⅞	9⅞	
2⅞	1⅛	vjZenLb				264	1⅛	1⅛	1⅛	
21½	15	ZeroNtl	.84	4.3	9	574	19⅝	19⅝	19⅝	
25	14¾	Zero	.44	2.8	16	220	20½	20¼	20⅜	
38⅞	20½	Zurn	.68	1.8	19	357	37⅛	36½	37¼	+ ⅜
11¾	16	Zweig	1.08e	6.7		z499	11⅛	11	11⅛	+ ⅜
10⅛	8¾	Zweig n	.96	10.		1151	9⅝	9½	9⅝	+ ⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4pm prices July 6

OVER-THE-COUNTER

Nasdaq national market, 4pm prices July 6

Stock	Div.	Sales 100s	High	Low	Last	Chng
A&W Bd		27 1231	24½	24	24	– ¼
ADC		12 68	15	14¾	14¾	– ¼
ADT		8 1499	26⅛	26	26⅛	
AEP		11 80	16¼	15¾	16	+ ½
ALC s		227	4⅛	3¾	4	
ASK		13 4527	12¾	12⅝	12⅝	
AST		1009	9½	9	9¼	– ¼
Acadin		26 3601	9-16	1½	1½	– 1-16
AcmeSt	.05e	6 97	21	20½	20½	
ActARi s	1	29 32	18⅝	18⅝	18⅝	+ ¼
Actmed		43	14⅝	14½	14½	
Acxiom		20 13	17¾	17	17¾	
AdacLb	.16	10 4295	1-16	0	5 1-16	
Adapr		62 716	11¾	11⅛	11⅝	+ ¼
Adingl s		18 131	17½	17⅛	17⅛	+ ¼

AMERICA

Dollar and bonds rebound prompts modest Dow gain

Wall Street

AS THE dollar and Treasury bonds rebounded, the Dow Jones Industrial Average also rose but its gains were modest and trading very subdued, *writes Janet Bush in New York.*

The Dow closed 5.88 points higher at 2,462.44 on low volume of 141m shares. The broader-based Standard & Poor 500 index was marginally higher but large capitalisation issues were outperformed by secondary indices such as the American Stock Exchange index and the Nasdaq Composite, which both registered lively gains.

The dollar appeared yesterday to have found support at sharply lower levels although in late trading it was quoted off its highs. It stood in New York at Y138.90 and DM1.8880, well above earlier lows of Y137.85 and DM1.8790. This helped bonds to gains at the long end of the yield curve of as much as ½ point.

Equities failed to profit much overall from these movements in subdued trading in advance of today's US unemployment figures for June which are expected to show a gain in the non-farm payroll of just over 200,000. Although this appears larger than the gain of only 101,900 in May, June includes an unusually long five-week reporting period. A figure of around 200,000 would be seen as evidence of more economic weakness and pave the way for another easing in monetary policy by the US Federal Reserve.

Despite widespread hopes of another ¼ point cut in the Fed Funds rate, equity investors remain on the defensive because of fears that the economy's deceleration indicates a recession is in store.

There was a hint yesterday in the Fed's money market operations that an easing operation *may already* be underway. The Fed decided not to drain liquidity from the banking system, suggesting to some bond analysts that the Fed Funds rate target is being nudged downwards.

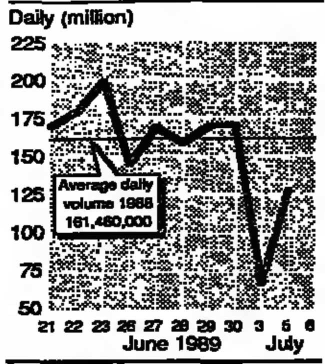
Among blue chip issues, International Business Machines was quoted $⅛ lower at $111⅜, American Telephone & Telegraph added $⅛ to $35⅝ and General Electric was $⅛ lower at $52⅞.

Retailing stocks were mostly a touch higher as store chains reported their June sales figures. J.C. Penney was up $⅞ at $56⅝, F.W. Woolworth added $⅛ to $52 and Sears, Roebuck added $⅛ to $44⅞.

Among featured individual issues, Vista Chemical jumped $2 to $46½ after the company said that it had completed financing agreements for its proposed restructuring.

Rohr Industries gained $⅛ to $20⅞ after news of its agreement to form a joint venture with Hercules for the development of aerospace components.

Wall Street securities houses were generally higher on expectations of earnings improvements following higher volume in bond and stock markets during the second quarter.



Canada

TRADING was quiet and essentially featureless as the Toronto market closed slightly higher. The composite index rose 4.20 to 3,776.5. Advances led declines by 382 to 267 on volume of 24m shares.

SOUTH AFRICA

AFTERNOON profit-taking trimmed early gains by gold shares in Johannesburg, but they still closed higher, supported by the bullion price.

EUROPE

Corporate developments enliven lacklustre trading

COMPANY news and rumours kept trading alive in a thin day for most bourses, *writes Our Markets Staff.*

FRANKFURT suffered a touch of nerves in the morning in anticipation of today's US jobs data, but losses were trimmed later. Shares ended lower, though one analyst described the fall as a "technical consolidation in an otherwise positive market, combined with slightly increased caution about the effects of a possible US recession."

The midsession FAZ index lost 4.39 to 615.81, while the closing DAX index fell less heavily, ending 2.06 lower at 1,485.23. Turnover was thinner than of late, but remained active at DM5bn.

It was a busy day for corporate news. BMW, trading ex a DM12.50 dividend, fell DM7.50 to DM554 after announcing a large, but expected, 21 per cent rise in group sales. VW, whose Audi subsidiary said US first-half sales had fallen 20 per cent, lost DM5 to DM422.

Thyssen picked up DM2.50 to DM230.50 in active trading, rising further in the after-market. The steel company rejected a recent study suggesting the outlook for steels in the second half had clouded and predicting a bad 1990.

Kaufhof, the retailer, lost DM3 to DM505 after saying department store sales were down but overall sales up in the first half.

AVA, a relatively small supermarket company, was suspended at DM1,429 after the previous day's annual general meeting at which a faction of hostile shareholders voted against the election of the board. The company has risen from a year low of DM840.

PARIS had another very quiet day, with many investors and dealers winding down for their summer holidays or preparing to escape next week's mammoth bicentenary celebrations in the capital. Turnover was estimated at FFr1.4bn, about Wednesday's level.

Share prices crept up, with little news to provide direction. Moulinex was the most active stock, rising FFr5.50 to FFr149 on 322,000 shares traded, amid talk of buying from Swiss investors interested in the fate of the stake held by the company's ageing founder. Moulinex denied that a foreign group was targeting it for takeover, pointing out that Moulinex employees held 60 per cent of the voting rights.

Car components maker Valeo dropped FFr39 to FFr782 on heavy turnover of 124,000 shares after a highly regarded Paris brokerage downgraded its view of the company and its earnings outlook. Cèrus, which owns 28 per cent of Valeo, dropped FFr7.90 to FFr442.10.

The OMF 50 index was 0.05 higher at 496.18 and the CAC 40 index gained 0.41 to 1,737.57.

MILAN gained ground towards the close, ending higher in slightly better volume estimated at L200bn. The Comit index gained 2.32 to 647.79. Rumours of a share swap lifted BCI bank L130 to L5,150 and insurance stock Generali L490 to L42,900.

AMSTERDAM ended mixed in subdued trading after selective gains helped offset more falls in the chemical and publishing sectors. The CBS tendency index was off 0.3 at 185.2.

Nervousness over the US economic outlook kept chemical stocks under pressure because of their perceived vulnerability to a recession. Akzo eased 90 cents to Fl 143.60, well off its lows, while DSM lost Fl 2.10 to Fl 128.90.

Banks were firm, while airline KLM added 10 cents to Fl 48.80 amid news of a higher June load factor.

ZURICH started off well, but declined as investors took profits, especially in big blue chips. An analyst said there had been reasonable demand for bearers, however, suggesting foreigners had been active. The Crédit Suisse index eased 4.9 to 616.5.

MADRID was taken a little aback by the Bank of Spain's increase in its benchmark money market intervention rate. One analyst said the rise from 13.75 per cent to 14.50 per cent was slightly more than the market had been expecting.

The general index lost 1.65 to 303.46 in fairly quiet turnover. Oil stock Repsol rose 3 percentage points to 429 per cent of par on bargain-hunting.

BRUSSELS ended mixed to firmer with the cash market index up 6.96 at 6,053.55.

Attention focused on ACEC, the engineering company, following news that Société Générale de Belgique will merge it with Union Minière. ACEC finished up BFr10 at BFr190 on exceptionally heavy turnover of 56,000 shares, after hitting an opening high of BFr516. SGB itself firmed BFr5 to BFr3,055 on busy turnover of 77,300 shares.

STOCKHOLM climbed to a new high in better volume as investors picked up car stocks after positive sales figures. Saab-Scania's free Bs rose SKr5 to SKr545 and Volvo's free Bs added SKr6 to SKr452.

Skandia, the insurance company, and Svenska Handelsbanken, the banking group, said they were establishing a joint firm in London to specialise in management buy-outs. Skandia's AB frees were unchanged at SKr238 while Svenska added SKr4 to SKr165.

FT-ACTUARIES WORLD INDICES QUARTERLY VALUATION

The market capitalisation of tha national and regional markets ot the FT-Actuaries World indices as at JUNE 30, 1989 are expressed below in millions of US dollars and as a percentage of the World Index. Similar figures are provided for the preceding quarter.
The percentage change for each Dollar Index valua since tha and of tha calandar year ie also provided.

NATIONAL AND REGIONAL MARKETS (Figures in parentheses show number of stocks per grouping)	Market capitalisation as at JUNE 30, 1989 (US$m)	% of World Index	Market capitalisation as at MARCH 31, 1989 (US$m)	% of World Index	% change in $ index since DECEMBER 30, 1988
Australia (84)	82528.7	1.25	86635.9	1.30	−9.27
Austria (19)	6692.3	0.10	5642.4	0.08	+26.11
Belgium (63)	41847.6	0.64	39966.0	0.60	−4.78
Canada (123)	145589.8	2.21	138610.8	2.07	+11.61
Denmark (38)	19132.0	0.29	16553.8	0.25	+17.60
Finland (26)	6170.5	0.08	5462.9	0.08	+7.19
France (128)	159614.6	2.42	154448.8	2.31	+3.17
West Germany (100)	202487.5	3.07	188394.9	2.83	+0.85
Hong Kong (49)	41957.7	0.64	54609.1	0.82	−15.77
Ireland (17)	6999.0	0.11	7324.2	0.11	+0.96
Italy (97)	95355.8	1.45	92590.2	1.39	−0.97
Japan (455)	2681978.9	40.72	2945201.2	44.07	−10.72
Malaysia (36)	6014.0	0.09	4824.1	0.07	+26.33
Mexico (13)	5103.2	0.08	3301.5	0.05	+59.56
Netherland (42)	84717.5	1.29	81242.8	1.22	+5.48
New Zealand (24)	9006.4	0.14	9188.9	0.14	−2.81
Norway (26)	5206.0	0.08	4810.0	0.07	+28.28
Singapore (26)	12565.8	0.19	11514.1	0.17	+27.22
South Africa (60)	43335.9	0.66	39679.1	0.59	+29.72
Spain (43)	64470.3	0.66	57965.5	0.87	−0.10
Sweden (35)	23154.1	0.35	22056.2	0.33	+14.35
Switzerland (57)	69354.2	1.05	62728.3	0.94	+2.56
United Kingdom (314)	583492.2	8.86	612323.6	9.16	+1.76
USA (555)	2190423.9	33.26	2037870.4	30.49	+14.57
Europe (1005)	1367693.4	20.77	1352009.2	20.23	+2.12
Nordic (125)	52662.9	0.80	48882.7	0.73	+15.86
Pacific Basin (874)	2834049.1	43.03	3111973.1	46.56	−10.57
Euro—Pacific (1679)	4201742.5	63.80	4463982.3	66.79	−9.80
North America (678)	2336013.7	35.47	2176481.2	32.57	+14.37
Europe Ex. UK (691)	784201.2	11.91	739685.9	11.07	+2.31
Pacific Ex. Japan (219)	152072.6	2.31	166771.9	2.50	−7.94
World Ex. US (1875)	4395771.3	66.74	4645573.9	69.51	−5.98
World Ex. UK (2116)	6002703.0	91.14	6071120.4	90.84	−0.13
World Ex. So. Af. (2370)	6542859.4	99.34	6643764.9	99.41	−0.11
World Ex. Japan (1975)	3904218.7	59.28	3738242.8	55.93	+8.99
The World Index (2430)	6586195.2	100.00	6683444.0	100.00	+0.04

Weak Pacific area keeps world's gains in check

Alison Maitland on second-quarter stars and losers

WORLD stock markets made only limited progress in the second quarter of this year, as weakness in the Pacific region offset gains in North America and Europe.

After a rise of 6.1 per cent in the FT-Actuaries World Index during the first quarter, world markets ended the second qnarter only 2.9 per cent higher overall in local currency terms. This does not compare too nnfavourahly, however, with their 3.9 per cent advance in the same period of 1988.

For a third successive quarter, Nordic countries outpaced the rest of the world, with a 22.2 per cent jump in Denmark and an 8.2 per cent gain in Sweden helping to drive the regional index up 11.3 per cent. Denmark's hnoyancy follows a 6.7 per cent rise in the first quarter and puts the market among the world's hest performers this year.

Norway, which had soared 32 per cent in the first quarter, lost a hit of steam, although it still rose 5.5 per cent. But Finland lagged way behind with a 3.2 per cent fall.

At the other end of the scale, the Pacific region excluding Japan suffered a drop of 5.4 per cent, largely hecause Hong Kong lost more than a quarter of its vaine as the hloody events in China unfolded. Other markets in the region fared better, with Australia rising 6.3 per cent and Singapore and Malaysia both gaining 9.5 per cent as investors switched funds around the region.

Japan proved a serious drag on the World Index because of its heavy weighting. The market lost 1.6 per cent in the second quarter after a 4.5 per cent advance in the first three months of the year. Interestingly, Japan had a poor second quarter last year as well, rising only 0.6 per cent, even though its advance during 1988 as a whole was a remarkable 39.5 per cent.

The impact of Jepan's weakness on world performance in the past quarter is shown by comparing the rise of less than 3 per cent in the World Index with the 6.3 per cent advance by the World excluding Japan. The Japanese share of world capitalisation fell from 44 per cent to 40.7 per cent during the quarter, while that of the US rose from 30.5 per cent to 33.3 per cent.

North America enjoyed a slightly better second quarter, as shares added 7.8 per cent after a rise of 6.1 per cent in the first three months. The US was the driving force with a healthy 8 per cent gain, while Canada was up 4.7 per cent.

Only four of the 24 markets covered hy the FT-Actuaries World Indices ended the quarter lower – Hong Kong, Japan, Finland, and Ireland, which lost 1.8 per cent after a 14 per cent leap in the first quarter.

The best performers were Mexico, which surged 61.9 per ceot after a restrained 7.7 per cent gain in the first quarter, followed hy Denmark, Austria (12.3 per cent) and West Germany (10.6 per cent). The German performance compares with a virtual standstill in the first quarter of this year and a rise of 4.8 per cent in the second quarter of 1988.

The UK edged up only 2.7 per cent, but sterling investors who had their money in continental Europe would have enjoyed a particularly strong gain of 13.8 per cent.

ASIA PACIFIC

Japanese buyers play 'kaleidoscope' game

Tokyo

ANOTHER strong day for the yen kept a flicker of buying interest alive yesterday, hut trading was directionless and highly mixed, *writes Michiyo Nakamoto in Tokyo.*

Extending Wednesday's rally and encouraged by the yen's continuing recovery against the dollar, share prices opened substantially higher. However, following a recent pattern and reflecting the lethargy that has plagued the market, they lost momentum by mid-morning.

The Nikkei average, which had risen 206.32 in early trading, fluctuated between a high of 33,516.03 and a low of 33,347.83 before closing 113.77 points np at 33,423.48.

Advances led declines hy 515 to 369 while 199 issues were unchanged. Turnover fell back to 567m shares against 666m traded on Wednesday.

The Topix index of all listed shares gained 11.29 to 2,489.31. In London trading, the ISE/Nikkei 50 index shed 0.21 to 1,990.23.

Investors rushed from issue to issue in a desperate attempt to keep things going and to reap profits while they could. "It was kaleidoscopic . . . The focus of huying seemed to be changing almost every 10 minutes," said Mr Masami Okuma at UBS Phillips and Drew.

The positive interpretation of the trading activity was that it represented cyclical buying, but the consensus was that it reflected the present market's lack of direction.

The main factor behind this was the low level of participation hy institutions, which stayed away becanse of concern ahont the forthcoming npper house election of the Diet (Parliament) and the effects its ontcome could have on the yen.

Short term profit-taking was the name of the game. High-technology issues, which had performed well recently, were mixed yesterday. Sony was strong again, adding Y60 to Y7,930, while Toshiba lost Y10 to Y1,380 and NEC retreated Y20 to Y2,010.

Even large capital shipbuildings, which had made striking gains on Wednesday on the hack of rising domestic demand and improving husiness prospects, turned weaker. Kawasaki Heavy Industries, first on the volumes list with 39m shares, finished Y10 higher at Y1,180 after reaching a high of Y1,200 earlier.

Mitsubishi Heavy Industries fell back, finishing Y10 lower at Y1,220. It was second most heavily traded, with 24.8m shares.

Interest fixed on natural resources issues, particularly Teikoku Oil, which rose to third place on the most actives list with 15.9m shares traded. It surged Y60 to Y1,280.

In Osaka, interest focused on issnes that are likely to benefit from greater domestic demand. The OSE average advanced 97.23 to 32,887.67 although volume shrank to 44m shares against 75m.

Roundup

LEADING Asia Pacific markets had a robust day, hut the volatile Taiwan exchange took a beating.

HONG KONG had its third encouraging day in a row, with share prices rising in heavier trading. The Hang Seng index gained 18.86 to 2,369.53 in turnover of HK$939m – the largest since mid-June – as hopes of lower interest rates grew.

AUSTRALIA was led higher by gold and resources issues and special situation stocks. The All Ordinaries index gained 6.1 to 1,519.5. Turnover rose to 110m shares worth A$203m.

Hooker Corp, the property group, surged 11 cents, or 23 per cent, to 58 cents after FAI sold its 8.5 per cent stake. FAI *gained 2 cents* to A$2.77.

Bond Corp fell a further 8 cents, or 11 per cent, to 64 cents after Merrill Lynch lowered its "equity opinion" of the group.

SINGAPORE rose to a post-crash high as demand grew from institutions and individuals for blue chip issues.

The Straits Times industrial index gained 13.55 to 1,318.56, up from its previous post-crash high reached a week earlier. Turnover improved to S$102m from S$92m on Wednesday.

TAIWAN fell as rumours spread of fund withdrawals and of the suspension of a securities firm. The weighted index lost 328.21, or 3.7 per cent, to 8,632.31.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	THURSDAY JULY 6 1989						WEDNESDAY JULY 5 1989			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989 High	1989 Low	Year ago (approx)
Australia (86)	133.80	+0.3	122.11	115.78	+0.5	5.15	133.20	121.94	115.26	157.12	128.28	145.31
Austria (19)	126.01	+1.1	115.18	123.66	+0.9	1.95	124.59	114.05	122.95	126.01	92.84	86.83
Belgium (63)	131.66	+1.0	120.36	128.60	+0.2	4.26	130.38	119.36	128.29	137.10	125.58	118.72
Canada (124)	141.48	+0.2	129.30	122.05	+0.2	3.31	141.19	129.25	121.81	141.80	124.67	128.36
Denmark (38)	211.76	+1.9	193.56	211.40	+1.2	1.59	207.77	190.21	208.90	211.76	165.35	131.02
Finland (26)	142.22	+0.2	129.99	127.35	−0.9	1.65	141.95	129.95	128.34	159.16	125.81	128.96
France (128)	123.64	+0.2	113.01	124.27	+0.1	3.05	123.42	112.66	124.14	123.64	112.57	99.19
West Germany (100)	92.49	−0.4	84.54	90.93	−0.3	2.24	92.83	84.98	91.24	92.83	79.56	78.07
Hong Kong (49)	98.73	+0.9	90.25	66.84	+0.9	5.41	97.86	89.59	97.95	140.33	66.41	110.86
Ireland (17)	138.86	+0.6	126.92	138.22	+0.0	3.05	137.89	126.32	138.24	151.36	125.00	137.56
Italy (97)	87.10	+0.4	79.61	89.05	+0.5	2.50	86.75	79.42	88.65	87.10	74.97	71.76
Japan (455)	179.66	+0.2	164.22	158.25	+0.5	0.50	179.38	164.21	157.49	200.11	164.22	164.43
Malaysia (36)	184.93	+1.6	169.04	191.20	+1.4	2.51	182.04	166.65	186.80	185.03	143.35	144.41
Mexico (13)	256.89	+7.0	234.81	689.53	+4.8	0.73	240.13	219.82	657.93	271.98	153.32	167.18
Netharland (43)	121.65	+0.1	111.19	119.26	+0.1	4.38	121.50	111.23	118.15	122.22	110.63	105.96
New Zealand (22)	66.26	+0.3	60.57	60.77	+0.4	9.13	66.07	60.46	60.53	76.02	62.84	78.87
Norway (26)	187.27	+1.9	171.17	178.21	+1.1	1.45	183.80	168.26	174.38	198.39	139.82	121.90
Singapore (26)	159.93	+1.4	146.19	144.53	+1.3	1.92	157.79	144.45	142.66	181.96	124.57	123.20
South Africa (60)	152.07	−0.7	139.00	133.77	−0.7	4.00	153.21	140.28	134.77	153.21	115.35	126.09
Spain (43)	151.36	−0.2	138.35	136.83	−0.4	3.75	161.71	138.89	137.23	156.17	143.14	151.79
Sweden (35)	171.34	+1.2	156.61	183.66	+0.7	2.10	169.32	155.00	182.55	171.34	136.45	119.63
Switzerland (57)	83.93	−0.9	76.72	84.40	−0.8	2.26	84.71	77.55	85.06	84.71	87.81	81.16
United Kingdom (312)	145.22	+0.2	132.73	132.73	+0.0	4.42	144.98	132.73	132.72	153.33	133.28	132.72
USA (565)	131.05	+0.3	119.76	131.05	+0.3	3.45	130.67	119.62	130.87	133.83	112.13	110.94
Europe (1004)	122.38	+0.1	111.64	116.41	+0.0	3.54	122.23	111.90	116.44	122.36	112.63	107.42
Nordic (125)	168.75	+1.4	154.24	157.28	+0.9	1.80	166.37	152.30	156.08	168.75	137.95	115.20
Pacific Basin (674)	174.88	+0.2	159.84	154.42	+0.5	0.73	174.56	159.80	153.66	194.72	160.44	161.46
Euro – Pacific (1678)	153.95	+0.2	140.72	138.18	+0.3	1.64	153.71	140.72	138.72	164.22	141.56	139.87
North America (679)	131.57	+0.3	120.26	130.50	+0.3	3.44	131.20	120.11	130.13	134.17	112.79	111.87
Europe Ex. UK (692)	107.81	+0.1	98.54	106.32	+0.0	2.87	107.74	98.63	106.36	107.81	96.30	91.65
Pacific Ex. Japan (219)	117.60	+0.9	107.49	105.56	+0.7	4.92	119.89	107.01	105.84	137.65	111.98	125.78
World Ex. US (1875)	153.56	+0.2	140.36	138.76	+0.3	1.72	153.32	140.36	138.32	162.77	141.49	139.36
World Ex. UK (2118)	144.44	+0.2	132.02	136.46	+0.3	2.07	144.15	131.96	136.00	146.04	138.98	127.92
World Ex. So. Af. (2370)	144.45	+0.2	132.03	138.11	+0.3	2.27	144.15	131.97	135.69	146.65	136.87	128.34
World Ex. Japan (1975)	127.87	+0.2	119.88	124.79	+0.2	3.53	127.57	118.79	124.56	128.01	114.51	111.04
The World Index (2430)	144.49	+0.2	132.07	136.09	+0.3	2.28	144.21	132.01	135.67	146.51	136.66	128.33

Constituent change: Name Change:Hussel Hldgs. to Douglas Hldgs.(Germany)(6/7/89).